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Omnichannel retail operation

Tamo Fokem, Audrey

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OMNICHANNEL RETAIL OPERATIONS

Audrey Tamo Fokem

Directeur: Prof. A. Chaturvedi

Mémoire présenté
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INTRODUCTION

The evolution of the internet in the world has given rise to many ways of doing things to improve the daily lives of human beings. It has favored the creation of companies, which means that the customer has more and more choices; he has the possibility to make his own surveys on the different offers he has to satisfy his needs, in addition to this he has the possibility to let everyone know his feedback following a purchase experience. These factors put pressure on companies to provide to the customers the best possible experience, as their feedback can be costly to the company. Companies have therefore thought about how to produce goods and services that will make life easier for human beings.

In the retail environment, retailers have thought of ways to make it easier for customers to get the right product at the right time and place. Among these means, we have online shopping, which is an alternative to in-store shopping. Online shopping has become so important that it has almost overshadowed in-store shopping. Initially, these online purchases consisted of making an online payment and then having the product delivered to the home of the buyer; some companies realized that while they were bringing in revenue, they were really driving the customer further and further away from the store. It was therefore necessary to create an alternative to home delivery, which would allow customers to save time but at the same time keep a physical link with the store; this is where the idea of "buy online, pick up in-store", abbreviated to BOPS, came from (Jye-Chyi Lu & al, 2020). The latter was created to force customers to go to the store, because the store is an environment where the firm can keep the physical contact with the customer.

This became an additional challenge for companies who had to satisfy not only customers who go to the store to make their purchases, but also those who buy online (to be delivered to their homes or to pick up in store). This created new challenges in deciding how to make an offer that links from an integrated system all the channels that the company uses so that these channels work together to provide the best possible customer experience, regardless of the channel chosen. It is from this kind of thinking that the strategies for omnichannel retail operations were born, and it is precisely these strategies that are discussed in this thesis.

We have chosen to work on retailers in general and grocery retailers in particular, in order to talk about retail strategies in an omnichannel context because it is such a vast sector and in order to provide a concise work we have thought of focusing more on the grocery retail sector. Thus, we will look at how these grocery stores nowadays combine their operational

interface with their marketing interface to maximize customer satisfaction depending on their different distribution channels. Then, the question of focus of this thesis is: **how do retailers manage to provide a good customer experience regardless of the channel used?**

To answer this question, we will start with a literature review in Part 1, of omnichannel retail operations to show the importance of an integrated omnichannel system this by showing the different options retailers have to manage their systems, and which factors can have an impact in their omnichannel strategy. Then in Part 2 put this study in a practical context by taking the example of the Colruyt Group to compare their strategy to the one said in the literature (Part II), to show that omnichannel retail operations are a combination several points that go through the company's retail strategy and vision.

PART 1: PRESENTATION OF THE RETAIL SECTOR AND THE ISSUE

In this first part we will first present the retail sector in general, and the grocery retail sector in particular in order to introduce the research problem.

CHAPTER 1: BACKGROUND OF THE GROCERY RETAIL SECTOR

Before starting to talk about the particular case of the grocery sector, it is essential to start by presenting its field of activity, which is the retail market.

1-The retail market¹

According to the Cambridge Business Dictionary, ‘*the retail sector is the part of the economy that is made up of business that sell goods through stores, on the internet, etc. to the public*’.²

Nowadays, retailers are more and more submitted into several challenges such as creating the right strategic approach to bring an effective evolution strategic approach. This strategic approach is discussed by Berman B. et al in the book *Retail Management, A Strategic Approach*.³ In that book, they discuss from a retailer’s perspective four formats taken into a retail context. Those formats concern the different types of retailers we are facing in this society. Let us have a view of those formats:

- Combined ‘brick-and-mortar’ and ‘click-and-mortar’ retailers

Here we are talking about retailers who are based in stores, but who also sell online. As far as grocery retailers are concerned, more and more of them are adopting this kind of strategy nowadays. Retailers are trying to maximize the chances of serving their customers in the most efficient way possible.

- Clicks-and-mortar retailers

Here we're talking about those who practice only online. This type of retailer is uncommon in the grocery industry; they are more common in the textile or electronics sector.

- Direct marketers with clicks-and-moctar retailing operations

Here we are talking about those who use traditional media to sell their products or services. By traditional media we mean magazines, catalogues, direct sales at home, etc.

¹ Definition: A grocery store is or grocer’s shop is a retail shop that primarily sells food.

² <https://dictionary.cambridge.org/dictionary/english/retail-sector>

³ Berman, B., Evans, J.R., Chatterjee, P. (2018), *Retail Management. A Strategic Approach*. 13th ed. (Global Edition), Harlow, UK: Pearson Education.

- Bricks-and-mortar retailers

Here we are talking about traditional retailers, they only use their physical space to sell, no online or other sales. Of course, they do not sell online but use the internet to keep their customers informed of their news. Nowadays, this kind of retailers is a little rarer than the others.

The grocery sector is one of the most competitive sectors in the retail industry. It has for a long time being composed of strong headers who have always fought to stay at the top.

*‘‘ In the United States and Western Europe, many traditional grocery retailers are seeing their sales and margins fall’’*⁴. This statement was used by Mckinsey in 2017 to highlight the reasons why the grocery retail sector was in danger; this article states that, despite the fact that some grocer's sales are increasing (those in developed markets), it should not be overlooked that both growth and profitability are declining due to rising costs and declining productivity caused by the "race to the bottom". Indeed, over time and with the evolution of the internet, consumers have more and more choice; they are expecting a real shopping experience which means that competition is getting tougher and tougher.

From 2012 to 2017, this competition will cause more than half of the economic profit of the large publicly traded grocery stores to evaporate⁵.

2-Drastic changes in the sector

However, the retail sector in general and grocery retail in particular has undergone many changes over the years, due to the evolution of people and technologies that have given the consumer more power in the market (Berman, B. and Al, 2018). These changes have resulted in the emergence of new management models in the retail sector, new ways of getting the good or service to the consumer, in line with new technologies and consumer demands.

These changes are designed to provide the best customer experience, regardless of the channel used, hence the omnichannel strategy.

These new means have changed a lot of things in the industry, some have become destabilized and others have made huge profits; those who have been able to take advantage of them are those who have opted for a proactive strategy in the face of these changes, as opposed to those who have stayed put and waited for things to change before taking action.

⁴ <https://www.mckinsey.com/industries/retail/our-insights/reviving-grocery-retail-six-imperatives#>

⁵ Annex 1

Nowadays, consumers are increasingly transacting with retailers through several channels and formats such as supermarkets, hypermarkets, hard-discounts, online stores, mobile phones, telephone sales, mail order, TV, social media, and door-to-door (Marie-Cécile Cervellon and al, 2015).

3-The main trend

At the beginning of the ascension of the e-commerce, many retailers were afraid of the impact of this trend in their business. Indeed, the e-commerce is one of the biggest trends that the retail sector had ever faced so many thought that the end of Bricks-and-Mortar retailers was coming⁶. It is true that the internet has changed several things and the consumers, especially the younger's are no more only looking for the speed and convenience provided by the online shopping, but they are also looking for the feeling of power that it brings to them (Dunne, P.M., Lusch, R.F, Carver, J.R. 2013).

This is why retailers decided not have only a multichannel strategy by having an online site and a physical store working separately, but they decided to merge the two into one system called Omnichannel system.

Before going deeper into this system, it is essential to highlight the difference between an omnichannel strategy and a multichannel strategy, as the two are sometimes confused.

Berman B and al talked about the difference between the two terms in their book. According to them, multichannel retailing exists when a retailer has separate channels, and each channel works as an alternative of the other; the link between both channels is small, such as each works independently of the other.

As a first step, it is essential to provide a clear definition of the term omnichannel. Following the Accenture definition (Accenture, 2014):

“ Omni-channel can be defined as a synchronized operating model in which all of the company's channels are aligned and present a single face to the customer, along with one consistent way of doing business. In this model, companies replace the many views of the customer they often hold today with one unified view of the customer—enabling them to respond in a consistent way to the customer's constantly evolving needs”

The definition below shows how the Omnichannel strategy is different from the multichannel one; here, there is an important link between each channel, the brand tries to deliver the same

⁶ Annex 2

customer experience regardless the nature of the channel or the device used to make the purchase.

According to a study of Pwc and Gandola (François Jaucot and al, 2018), there will still be a place for the physical store, especially regarding the innovation brought by retailers like Amazon and Alibaba by the ‘new retail concept they are implementing but the role of that type of store is continuously changing, and many retailers who did not adapt their strategy failed to bankruptcy. The evolution of e-commerce has a positive impact on the decline of physical stores⁷.

Online buying experiences are increasing with the years, but as we said before, the role of the store is still important⁸ in the customer journey so the best way to assure the best customer experience is to work on the whole omnichannel process, online and in store shopping.

4-The importance of an integrated omnichannel retail strategy approach

‘A good strategy approach combines a good supply chain and a good marketing’ Elizabeth Barber (August 29th 2011), *Strategic Approaches to Domination in Supply Chains*. In this book, the author discuss on the need to combine a good operational strategy with a marketing strategy to provide a good retail strategy.

Retailing is the last step of the distribution channel, so retailers are the shareholders who are the most close to the final consumer.



We see by this figure taken in the site www.marketing.net an example of a typical distribution channel, retailers are often the link between the manufacturer, the wholesaler and the consumer. It is clear that most of manufacturer would like to attempt directly their consumers, but the fact is that consumer are looking for a variety of goods in which they will make their final choice; this is where comes the importance of a retailer (Berman B. and al, 2018). A typical retailer is the one who make deals with

⁸ Annex 4

many manufacturers, those deals aim to buy several goods to sell them; but with the years, many retailers became manufacturers by the private label's goods.

Retailers complete more and more transactions with customers today. This by implementing all the measures required for the best customer experience; to do so, most of them provide more and more customer services such as gift wrapping, delivery, and installation. With the advent of E-tailing, many people have entered the multi-channel retail business, which means that they can sell through multiple channels. But like we said previously, the multichannel strategy has caused many retailers an opportunity loss because of the lack of integration of the channels so many retailers opted to the omnichannel retail operations. Omnichannel retailers understood the need of integrated operations across all of their multiple channels and seek to maximize the firm's performance across these channels.

Recently, about almost three-quarters of retail growth comes through online channels, which now accounts for around 13% of total retail sales (Jye-Chyi Lua and al, 2020)., consequently, this had caused the closure of many stores⁹. This shows the impact of omnichannel retailing in the retail sector, because it is a trend that had changed many things in the industry.

It is important to mention the fact that it is not only the adoption of an omnichannel strategy that create good revenue for the firm, but a good omnichannel retail strategy, well integrated.

A good omnichannel strategy well integrated passes by joining all the channel together in a coherent way, this by taking into account every steps of the customer journey and meeting them into the operational process.

5-The approach of the problematic

It is important for us to answer the research question to know **how retailers manage to provide a good customer experience regardless of the channel used**. We must provide a structured answer to this question because we want to show the importance of an integrated omnichannel system in a retail context. This depends of which sector the retail brand belongs to, here we will focus on the grocery market. We will show in the next lines which are the principal points in which a retailer in general, and a grocery retailer in particularity have to focus on to provide the best customer experience ever in an omnichannel retail strategy, taking into account the economical environment in which we are living.

⁹ In 2019, Walmart had closed many of his stores.

<https://www.businessinsider.fr/us/walmart-stores-closing-list-2019-3>

Integrating the right omnichannel retail strategy passes by the combination of several factors in the firm's strategy, we decided to build a framework of two main factors which, according to us are the most essential for a retail strategy:

- The marketing strategy
- The operational strategy

CHAPTER 2: FRAMEWORK: THE GROCERY MARKET

The objective of this chapter is to create a framework that identifies the different market or consumer parameters and analyses the different management possibilities for a traditional grocer building an omnichannel strategy.

1-The Belgian grocery market

Belgium is made up of a population of about 11 million inhabitants divided into three points; Flanders, Wallonia and Brussels. Purchasing power is different in the three regions and in the provinces of the country because people in each part of the country have different behaviors, which can have an impact on consumer choices and expectations.

The Belgian retail market is fairly consolidated. Eight different international groups dominate the Belgian retail market¹⁰ (Alhold Delhaize Group, Carrefour Group, Colruyt Group, Louis Delhaize Group, Lidl, Aldi, Intermarché, Metro Group) and account for a good part of the market share (Sophie Bolla, Food Retail Market Belgium, 2018).

According to www.CBRE.be , the recent growth of e-commerce has led to significant disruption in the retail sector. However, little attention is paid to the benefits of e-commerce for physical retailers, who are well positioned to take advantage of both platforms. In a world where anyone can literally be an online retailer, having both a physical and digital presence could be a significant advantage in the future.

Traditional retailers are adopting online commerce over time. Until recently, physical and digital sales were somewhat separate strategies, often with a desire to expand and invest in both channels.

But this approach is rapidly changing as Belgian retailers are increasingly focusing on optimizing sales and the customer experience using both channels. A flexible multi-channel strategy is a priority for all retailers. And retailers are investing a lot of money in digital platforms and technologies.

The CBRE conducted a survey of retailers, and as a result of this survey, about half of the participating retailers admit that their online strategy has a profound impact on the physical network, leading many to opt for in-store collection of items purchased online (ZARA, Colruyt, Carrefour,...), home delivery (Lidl, Carrefour, etc.), or the ability to return online sales to the physical stores.

¹⁰ Annex 6

2-Channel segmentation

To be competitive in today's multi-channel business environment, it is essential that companies coordinate their activities across channels and across the different stages of the customer journey and product flow (Tammo H.A & al, December 2019). To do so, they must make sure that there is a consistent pricing in all channels and that everyone can buy and return product regardless of channel, and they must clearly define roles of each channel. In the grocery market, the rules are a bit different compared to fashion retailers for instance in whose channel consumers have the possibility to return goods. The grocery distribution channels are quite particular, let us have a view of it.

Like we said previously, the distribution network is a very important point for retailers, especially for those who want to build an integrated omnichannel strategy, in which all the channels work in a coherent way. There are many factors and variables that can impact and influence the distribution channels organization and the choice made to serve customers in the most efficient way. For instance, these factors include the delivery speed, the delivery locations, or the customer discriminatory characteristics like revenues, gender, or age. Distribution includes the last-miles challenge. There are many of different definitions for the last miles; we will therefore mention the working last miles definition created by Lim et al. (2018): *“Last-mile logistics is the last stretch of a business-to-consumer (B2C) parcel delivery service. It takes place from the order penetration point to the final consignees preferred destination point.”*

Nowadays, an omnichannel retail strategy can be composed of three different ways of distributing online orders to fill most of the consumers' demands (Hübner, Kuhn, & Wollenburg, 2016):

- The e-grocery pick-up, which has three main variations (collect and go, drive-in attached, or solo)
- The direct home delivery (attended or unattended)
- The initial outsourcing is done using a third-party logistics (3PL).

2.1-The e-grocery pick-up



This is one of the most popular logistics strategy in omnichannel marketing; it is a good deal for both parties because it does not include shipping charges for the buyer and, and it helps the retailer to sell goods at a higher margin goods when they arrive at the store (Berman B & al, 2018).

The e-grocery pick-up channel also called “buy online, pick up in-store” (BOPS) is the channel where consumers buy goods online and decide where they will pick themselves the items bought.

Within the e-grocery pick-up system, we distinguish two principal types of functionment: the collect and go system and the drive-in system. The collect and go system is the one in which the consumer buy the item online and collect it in the retail store; the drive-in system is the one in which he or she collects the item next to the store (attached drive-in) or at a specific location (solo drive-in). The e-grocery system is one of the most used delivery systems that grocers have created; its popularity has started in France and then started to be implemented in other countries. In this system, products are bought online and then collected in a distribution centre or in a store, depending on the replenishment option chosen.

When traditional "offline" retailers expand their online channel, they typically use their existing resources to support online operations. The BOPS has become a popular policy these days because it helps reduce the waiting time of consumers after placing an order and for some retailers it gives the possibility to return items they do not like. This system also helps retailers to encourage consumers to come back to the store more often, unlike home delivery, which does not link the online purchase to the store (Jye-Chyi Lua & al, 2020). The BOPS strategy helps traditional retailers to develop e-commerce strategies effectively. For example, more than a decade ago, Walmart entered the e-commerce business and maintained small online sales 2% of their shares until 2013. Finally, their online sales were called for a 40% increase in 2019 (Lauren, 2017).

Because preparing the products inside or near to the store is a bit similar, we can consider that both collect and go and the drive-in system represent the same supply challenge to show that the click and collect system¹¹ reduce logistics costs by 70 % (Hübner & al. 2016b). The biggest advantage of this system for the retailer is the fact that using it, it is the consumer who supports the last miles. A study of Mckindsey shows that the e-grocery pick-up is on 30% more profitable than the home delivery service for retailers¹².

As mentioned previously, we distinguish two types of drive-in system, the attached and the solo drive-in (Hübner, Kuhn, & Wollenburg, 2016).

- The attached drive-in

The attached drive-in is situated next to a store and its fulfillment depends on the store's inventory. There are no specific deliveries made for the drive-in. Products available online are the products available on the store's shelves. Workers of the store will realize this task as an additional part of their job. They will need to get into the store like any customer and gather all the different products mentioned in the online order.

- The solo drive-in

The solo drive-in is constituted of a pick-up point for customers that are placed near to a small warehouse. Orders are passed and delivered from national or regional warehouses to the "solo" warehouse. This solo drive-in warehouse and station can also be situated just next to a traditional store; it depends on the retailer's strategy.

2.2-The direct home delivery



Home delivery is considered as one of the most prevalent way of delivering groceries online in the world; in this channel it is the company who assumes the last-miles cost, and knowing that margins are known to be quite low in groceries, this cost is not negligible.

People who choose the home delivery system are most of the time people who want to save their time, to it is for the company to decide the right delivery fees, and this is a huge

¹¹ The e-grocery pick is also called click and collect

¹² Annex 4

challenge for them. The challenge comes from the fact that it is difficult to know which price the end consumer is willing to pay.

We continue with the analysis of Hübner et al (2016b) in which they analyze two delivery situations that exist today; these are the following:

- Unattended home delivery:

This is perceived as risky by many because the presence of the customer does not matter, the product is delivered at the customer's doorstep, whether the customer is present or not.

- Assisted home delivery:

This one is more cautious because it requires the presence of the customer, otherwise the parcel can be delivered elsewhere, in a relay point where he can come to recover by presenting an identity document, and in the worst case it will not be delivered.

2.3-The initial outsourcing



The initial outsourcing is done using a third-party logistics (3PL). In the business world, the term 3PL has a broad meaning that applies to any service contract that involves the storage or shipment of items. A 3PL provider offers outsourced logistics services, which include anything that involves managing one or more facets of procurement and fulfillment activities.

Online demands have created a new challenge for traditional retailers: fragmentation of volume and, as noted above, a huge problem with last-mile distribution (Margaret Rouse, 2020). Moving from an unprofitable home delivery service to a profitable service is a major challenge for grocery retailers. High online demand will make the company want to manage its deliveries itself, but if it is insufficient or too variable, this will lead the company to outsource its delivery activities using a 3PL until they have a good level of sales. The role of these types of companies is to gather online requests from several retailers who sell products online, in order to make an aggregation of the volumes to be delivered. (GRA. 2018).

3-Structural variables: operational variables

As we said above, ensuring a good retail strategy involves a combination of several variables; we are not going to list them all here, we prefer to talk about those we consider to be priorities. The variables linked to operations management are those we believe contribute to

customer satisfaction, from procurement to the provision of goods or services to the end consumer. They are said to be structural because it is the company that uses them to build or structure its process according to them and its material and human resources.

3.1-Fulfillment/Replenishment systems

In an omnichannel or multi-channel system, the main obstacle is how to satisfy demand, regardless of the channel used. For a grocery retailer, the challenge starts with the supply of goods. It's not something you think of first when it comes to retail, yet it's the beginning of everything.

There are several supply options in the grocery retail sector, and each has its pros and cons. In an online grocery system, there are 3 different supply options (Ishfaq, Defee, Gibson, & Raja, 2016; Ishfaq, & Raja, 2018):

3.1.1-The integrated fulfillment.

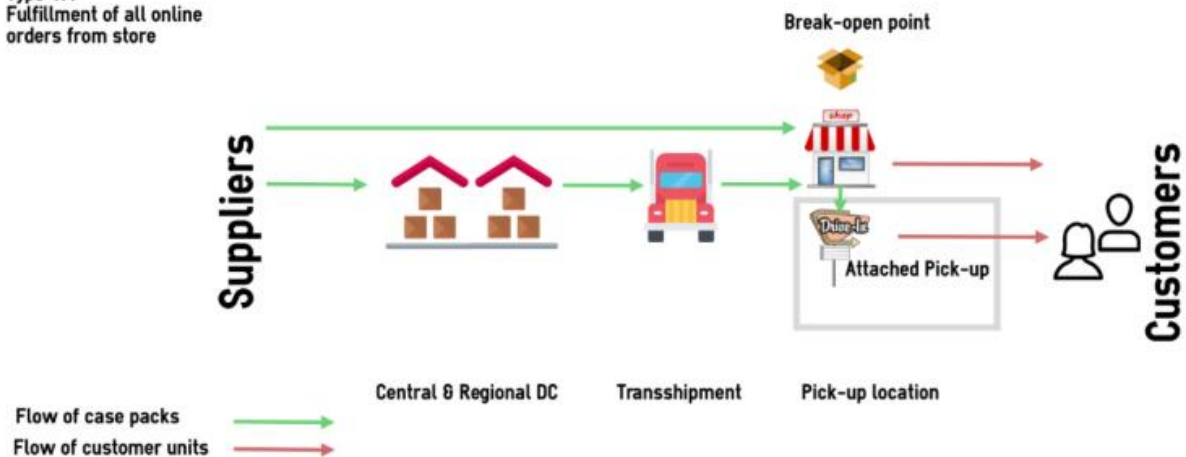
Here, the company links its online ordering system to its traditional store order fulfillment system. Thus, in the physical store, there is a combination of online and in-store orders. In this type of network, all online orders are executed from the company's store network. This system is thus based on a well-established store network. This model can be subdivided into the following two main parts (Wollenburg, Hübner, Kuhn, & Trautrim, 2018):

- All the online orders are assumed by the stores
- A solo pick-up point is also taking care of some of the online orders.

The system in which the supply has the characteristic of being less expensive than the solo pick-up because the costs are somewhat related to a drive-in attached pick-up point.

The figures below give a schematic view of the two different systems.

Type 1.1
Fulfillment of all online orders from store



Type 1.2
Pure pick-up of all online orders

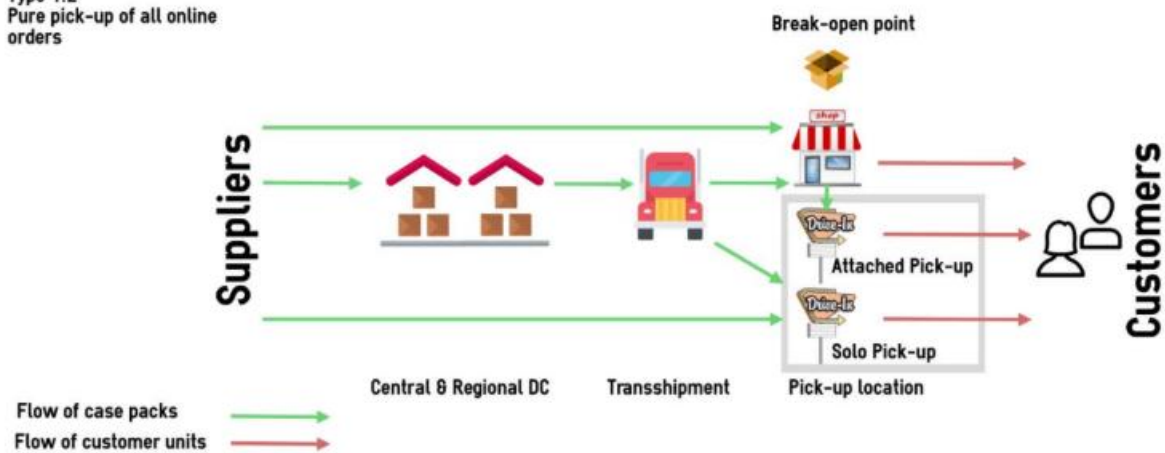


Figure 2 & 3: Integrated fulfillment

Source: Adapted from Wollenburg, 2018

According to Wollenburg et al (2018), at a certain threshold of about 5% of in-store online sales, it is recommended to opt for an online sales CD. They also mention an interesting fact: as a result of research by English writers (Ferne, J., & al., 2010) over the last 20 years, there has been a reduction in in-store inventory (back-storage and in-store) supported by rapid replenishment; this has been perceived as global growth. As a result, additional space capacity for online sales is quite limited in stores. The dedicated fulfillment centre (DTC).

The distribution centers are mainly dedicated to online orders, but are mainly used by retailers whose online orders have already reached a certain level, which represents a first limitation to the system. Indeed, according to Ishfaq et al, under 300 million USD a DTC cannot be

profitable because it will be too difficult to reach the desired economy of scale. In order to cope with this, the company very often uses its own initial resources or uses a 3PL. Still according to Ishfaq and al., after the online sales of the company, one other important point that will impact its replenishment strategy is the composition of its actual physical network, the number of DC and stores. In fact, these are just constraints that vary according to the number of DCs, which will have an impact on the means of supply.

But if one tries to break away from these limitations, one can nevertheless mention the fact that the operational efficiency advantage of this DTC system is its operational efficiency. Originally, traditional DCs were dedicated to pick up, handle and deliver pallets or several layers to be stored. As far as orders are concerned, this principle has the benefit of executing single orders online in the most efficient way possible. Thus, by using the DTC, it is hoped above all to improve the operational efficiency of the DTC to compensate for the additional investments made.

3.1.2-The integrated central warehouse replenishment

In this system, online ordering and store requirements are fulfilled at the same time. The big difference with DTC is that it only processes online orders. This type of structure is only reliable for small stores, and less so for supermarkets or hypermarkets because it uses the specific data of each customer to do so; it would be very difficult to do this with the large customer base of even a hypermarket. In this system, the integrated central warehouse will greatly increase the synchronization between the different types of orders, but at the same time, the complexity of its management will require experience and a certain level of sales.

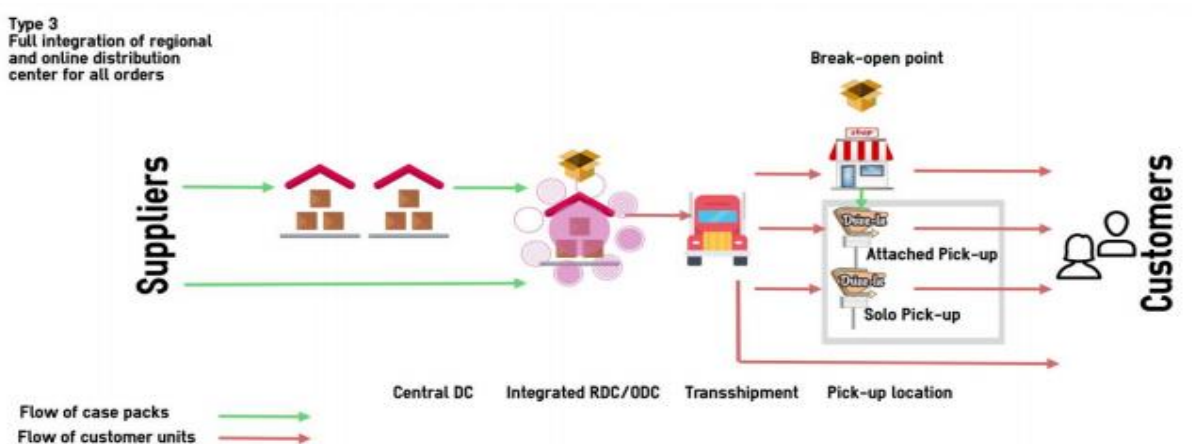


Figure 4: Integrated central warehouse replenishment

Source: Adapted from Wollenburg, 2018

3.2-Inventory management

With the popularization of the internet and e-commerce, the number of people preferring to shop online has been growing over the years, to the point where companies are faced with new challenges: how to allocate limited store space to meet both in-store and online demand.

We draw on the study by Jye-Chyi Lu & al. to talk about the optimal decisions they have made regarding product ordering, quantity and stock allocation to meet dual-channel demand, with the goal of satisfying in-store demand and limiting total inventory space. They focused their study on in-store sales and BOPS, which is one of the channels most used by grocery retailers. What interests us in this study is the comparison they make of the stock allocation methods between the two channels.

In this study they study 4 models:

- The benchmark model (Model-0)

This is the model without online sales; here, the order quantity is optimized to meet in-store demand.

The other 3 models are for a multi-channel system.

- Model 1 (in-store space) : No joint inventory between two channels and no joint order policy

Model 1 focuses on the space allocation decision, and there is no joint ordering of products and sharing of stocks.

Because the space in the store is reduced, the quantity ordered must always be less than the quantity in the store.

This model takes into account the situation in which the store may use its shelf space to support BOPS service. Both channels order products separately and use their own dedicated inventory to meet their perspective requests. In this model, the total store profit is comprised of two components: the store-channel profit and the BOPS channel profit.

- Model 2 : Joint-inventory between two channels, but no joint-ordering policy

In Model 2, the focus is on the policy of sharing inventory between the store and BOPS channels, but there is no joint ordering.

The store and BOPS operations get a share of the total space M and make their own ordering, quantity and inventory decisions. The optimal decision for the store is to maximize the total

expected profits of both channels and to ensure that the store inventory will meet the given probability of satisfaction of the store's demand.

- Model 3

In model 3, the warehouse decides on the order quantity based on the joint demand of the warehouse and BOPS. In addition, this model distributes stocks to maximize the performances of both channels. This system helps the company to reduce variation and keep an eye on safety stock.

3.3-The distribution service

These are the different modes of delivery that a grocer offers to his customers. We have detailed the different delivery methods mainly used by grocery retailers and we think it would be useless to go back over them. Nevertheless, we can add the fact that the distribution model depends on the company's own strategy, the contacts to which it is exposed and of course the market.

4-The marketing system of a retail sector

Since marketing is a fairly large sector, we'll just focus on the part that works with the operational process we've seen above. The marketing system in the retail management sees things on a consumer perspective; it includes of the essentials organizations taking part in the process of distribution with the principal objective to provide the best customer experience ever. It acts from the supplier to the end user.

4.1-Value and importance of omnichannel marketing

With the age of technology that has come to shake the world, every company is trying to find a way to adapt to the fact that the consumer has more choice, and therefore expects an offer that is as personalized as possible. Indeed, the internet, devices and social networks have revolutionized the way things are done, to the point where the consumer has become king, hence the customer centric policy. This has led to the fact that in the retail environment, with the advent of omnichannel retailing, marketing is a weapon that most have used to get closer to their consumers (Yogesh Hole et al 2019).

Marketing helps to select the most efficient channels to serve consumers; this has become possible with the big data channel, which has allowed companies to collect data from their consumers in order to know their preferences, so that they can then improve their offer and therefore the customer experience.

Omnichannel marketing is very advantageous for some companies; the company has the possibility to know from the data, which are its loyal customers, which channel they prefer, etc. All this data is very expensive for the company, but the results they bring back can be very important (Yogesh Hole et al 2019).

Thus, the marketing challenge for this company is to set up a marketing and operational management system; the first is to ensure that everything runs smoothly on the customer journey, the second is to keep an eye on the operations related to the product flow (Tammo H.A. Bijmolt, 2019).

The usefulness of this model flow below is to create an integrated management system, in which the customer receives a good experience, regardless of the chosen channel.

The model flow

Here we take inspiration from the model developed by Tammo H.A. Bijmolt, et al. to present the flow that connects the entire customer's cross-channel journey to the product flow.

The flow that connects the customer's entire customer journey is the flow that takes the customer into account in the decision-making process; it includes the entire customer journey; while the product flow is the flow to and from the end consumer.

This flow is divided into three areas: assortment and inventory, distribution and delivery, and finally returns; these three areas have a direct influence on demand and the flow of products within the company. In this study, they propose an integrative approach for the decision areas related to a multi-channel system, but we will only focus on the points we considered important for our

study.

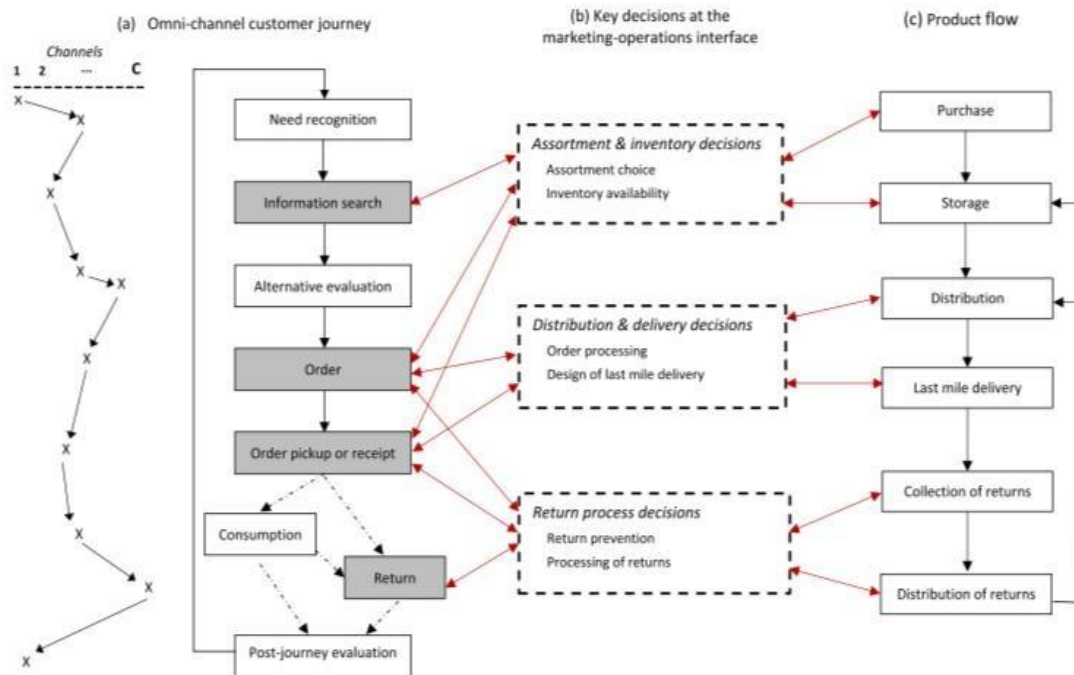


Figure 5: The omnichannel customer journey connected to the product flow

Source : Tammo H.A. Bijmolt et al, 2019.

It can be seen from this figure that this flow model comprises three different panels; the first represents the customer journey, the second represents the key decisions at the marketing operations interface and the third represents the product flow.

We will now briefly develop each panel.

4.2-The omnichannel customer journey



Figure 6 : Omnichannel customer journey

Source : Monigroup.com , 2017

The customer journey in an omnichannel context is quite particular; it depends of the retail sector, and also of the brand's offer. It represents all the stages a consumer goes through, from the discovery of the need to the final consumption of the good. In this model, it is made up of 8 different stages.

The first one is the discovery of the need, followed by the search for information about the different ways to relieve this need. During this search, which for example can be done on the internet or via knowledge, the individual takes note of the different proposals, with the aim of evaluating those that seem most interesting in the third stage, which is called alternative evaluation. Here, he takes care to ask himself which of these products corresponds to his expectations and his budget. Once the choice of the product is made, he can place his order with the seller; this is the fourth step. After placing the order he can collect his product, may important the channel he has used, this is the fifth step, which is followed by the consumption of the product. It is on this stage that he can evaluate his satisfaction, if the characteristics of the product correspond to his expectations or not; from these questionings are born the returns which can be positive or negative. Once all this is done, he goes on to the last stage called post-day evaluation in which he retraces his entire customer experience, which includes both the quality of the service and the quality of the product; following this post-evaluation, he will know if he can repeat his purchase one day or not.

4.3-Product flow

The role of this function is to support the customer in a reliable and profitable way in his experience. It consists of 6 steps, some of which have already been mentioned above.

4.3.1-Purchase and storage

The first one is the purchase, which represents where the retailer buys his merchandise from the manufacturer or wholesaler; in this stage, the retailer is considered as the customer, he sets his conditions, etc.

The second stage is storage. In this stage there is the transport of the goods that are part of it. For some retailers, the warehouse is located right next to the point of sale, but for others it is really separate because some retailers with several points of sale use central warehouses, we have discussed this in more detail above.

4.3.2-Distribution and last mile delivery

The next step in this process is distribution; it is on this part that logistics plays a crucial role, because in a multi-channel context, the main challenge for the company is to provide an

integrated channel management system, so that each channel works in collaboration with the other channels. The main challenge of this stage is that it is the logistics stage that, together with the last mile delivery stage, directly links the retailer with its customers and therefore its satisfaction depends on it. In a system consisting of two channels, for example, BOPS and normal sales, if the system is omnichannel and efficient, it would mean that both channels work in direct collaboration, whether or not stocks are managed by the same management system. The last mile delivery is only when the product is delivered to the customer, so there are some retailers who will not be affected by this system because not all of them do home delivery.

4.3.3-Collection and distribution of returns

Once the products have been purchased, collected or delivered, customers may like or dislike the product purchased; in the event that they do not like it or there is an error in the delivery of the order, they may return the product if they wish. And this step is called the collection of returns. It is followed by the distribution of returns, because the products must be returned to the customers for those who wish to do so. In an omni-channel system, some customers prefer to change the distribution channel and others prefer to keep the same mode, just want a change of product. These steps are very tricky for retailers because with the rise of customer power in today's economy, they like to be at the center of everything, and they place a lot of importance on the customer experience, which is more and more shared on social networks so a retailer who doesn't take into account the complaints of his customers can be perceived as negligent and acquire a bad reputation.

They need a highly available help desk to be able to respond in time to customers and give them enough information to reassure them, but they also need a good team that will ensure the quality of returned products before sending another product. If these and many other checks are not done, the company may find itself in trouble. (De Leeuw, Minguela-Rata, Sabet, Boter, & Sigurðardóttir, 2016).

4.4-Keys decisions at the marketing-operations interface

According to this study by Tammo H.A. Bijmolt, et al this panel is the one that links the other two because it includes the omnichannel customer journey and the product flow and therefore constitutes the marketing operations interface. Let us analyze the most important decisions developed by the authors of this paper that represent the key decisions discussed above.

4.4.1-Assortment & inventory decisions

Assortment is an asset that companies in the sector pay a lot of attention to; this is because the appearance of the products and the way they are displayed in the shop or online are factors that attract customers (Rooderkerk, Van Heerde, & Bijmolt, 2013). With the trend towards online sales, companies have taken advantage of this opportunity to increase their assortments, as these were sometimes limited to the space available in the store, which condemned them to ensure a constant rotation of products so as not to abandon some to the benefit of others, not to mention the high costs of inventory (Tammo H.A.Bijmolta, et al, 2019). Thus, retailers find themselves in many dilemmas, they have to ensure a certain safety stock so as not to lose opportunity costs, but also they must not have too much in stock, for fear of having huge inventory costs, not to mention the fact that they must not overload the customer in the store with too many products. Thus, Mou, Robb, and DeHoratius have in 2018 developed Hübner and Kuhn's ideas about these concerns we have just been talking about; in their writings, they conclude that decisions about assortment selection and stock availability require a joint marketing and operations perspective, because thinking about the operation of one without the other would be a bit messy because there will certainly be things that will become difficult to control.

The strategy of assortment selection is quite complex in an omnichannel context; there are retailers who choose which products will be sold through one channel and not the other; there are certain products that are deemed more appropriate for online sales, such as niche products for example, as they have a rather irregular demand and therefore benefit from centralized inventory (Tammo H.A.Bijmolta, et al, 2019).

With regard to inventory availability, Tammo H.A et al, discuss it in their paper by presenting two models of inventory management using an operational marketing perspective. In the first model called the retailer model, the retailer manages his own inventory and decides his inventory policy; this system is adequate for faster and cheaper deliveries. The downside of this model is the inventory and storage costs. The second model, the MSP model, is one in which the supplier controls almost everything, the retailer is just in contact with the final consumer; this model has the advantage of sparing the retailer the inventory and operational costs mentioned above, but on the other hand it easily becomes dependent on the supplier on whom everything depends (Tammo H.A.Bijmolta, et al, 2019).

So at this first level, the decisions that the retailer will make will have a direct and major impact on the purchase and storage of merchandise, on the one hand, and on information retrieval and ordering, on the other hand.

4.4.2-Distribution & delivery decisions

Distribution and delivery decisions have a major impact at two levels:

- The ordering processing
- The design of the last-mile delivery

Ordering processing is first of all a marketing perspective that depends on a highly customer-friendly order system, given the technological evolution we are exposed to today; an ordering system that is not at the cutting edge of technology will not make customers want to come back. Customers must be able to place their orders whenever they want, and in a multi-channel context, they should be able to place their orders with any technological tool. Ideally for the retailer, this should result in the lowest possible operational costs. It is also important for the retailer to stay at the forefront of the evolution of big data, so as not to miss out on any way to get closer to their customers.

As far as the design of the last-mile delivery is concerned, it is obviously crucial that the service should be as fast as possible, and above all, it should be good enough to suit the customer's expectations; net sales should be satisfactory, and in order to do this, every effort should be made to ensure that customers repeat their purchase. Orders placed must also be traceable for both the customer and the retailer. Here what can be done is to keep an eye on operational costs which can be difficult to monitor. What is widely recommended to the retailer is to find the best system for integrating demand management and cross-channel operations (Tammo H.A.Bijmola, et al, 2019).

4.4.3-Return process decisions

Returns are expensive for the company, so the ideal would be to avoid them, and in order to do so, they must be prevented. The first thing to do is to maximize the chances that the products chosen by the customers will meet their expectations. In the event of a return, the retailer must make sure that he has a team of professionals on hand to manage the situation without creating conflict with the customer.

As far as costs are concerned, it is essential to do everything possible to minimize returns, and in the event of returns, to minimize incidents that may be related to them. The retailer must find ways to satisfy the customer while increasing his profit. What the authors Tammo H.A.

Bijmolt, et al. suggest is to use advanced artificial intelligence technology to help customers get as close as possible to what they really want to avoid.

PART 2: EMPIRICAL ANALYSIS

In this section, we will situate our theoretical analysis in a more practical context, in order to better understand the thoughts of the authors we have developed above. Thus, we present the Colruyt group in chapter 3 to better understand its retail strategy in chapter 4.

Recall and Approach of the Study Question

As mentioned above, with the evolution of technology, things have changed a lot in the world; companies in all sectors have decided to adapt a strategy in which the customer is at the centre of everything. This is because he has more choice and knows it, so he seeks above all the best service and the best quality of offer, in the best possible conditions. Indeed, customers are looking for an offer that is able to adapt to their constraints. These constraints vary from one customer to another, there is the one who would like to be able to order via any device, the one who would like to be able to order online and have it delivered to his home, or pick it up in store, etc.

Retail companies therefore have a challenge: to satisfy all these customers who have become very demanding. More specifically, in an omnichannel context, they have to find how to adapt an integrated system in which each channel works in collaboration with the other, while keeping customer satisfaction as their primary objective.

Thus, the purpose of our analysis is to show how the management of an integrated multichannel system involves the pooling of an operational system and a marketing system that work together to form an operational marketing cell represented in the flow model above. To do this, we have chosen to focus on one sector of Retail in particular, namely grocery retailing. This was a strategic choice for us because obviously we could not study all types of companies in the sector, so we chose grocery retailing because it is a fairly competitive sector in the world in general, and in Belgium in particular; moreover, it has a different omnichannel management than the others, as we saw earlier in the literary section.

We have shown above by author's thoughts the usefulness of an efficient omnichannel management, based on two of our readings we have found essential, namely the marketing and operational pole. In order to ensure an integrated management system, these two poles should work in collaboration because the first one is the one that is supposed to ensure that we get closer to the promise made to the customer, but it must collaborate with the second one to ensure that the company has the material and human resources necessary to serve the customer properly. Now we have to continue our analysis in a more practical orientation.

We have therefore chosen to base our empirical study on a local company which is thriving in the sector and which has a well-defined strategy; this is COLRUYT Group.

CHAPTER 3: PRESENTATION OF COLRUYT GROUP

1-Presentation of Colruyt group

Colruyt is a Belgian supermarket chain founded by Franz Colruyt in 1928¹³. It is part of the Colruyt Group, a multinational Belgian family business in the retail sector that evolved from the Colruyt supermarkets. Present throughout Belgium, they have been able to establish themselves over the years to become one of the most profitable companies in the retail sector, and even when leaving the retail sector.

Talking about the history of Colruyt in depth would take us away from our topic, but we will give a vague introduction to the company, its vision and its sector of activity and then get to the heart of the matter in our analysis, which is to make a detailed analysis of Colruyt's omnichannel strategy.

Who is Colruyt group?

Colruyt is a chain of hard-discount stores; according to the website www.insee.fr, *a hard discount store is an outlet for the sale of foodstuffs on a self-service basis, under a specific ensign, and with a surface area of 400 to 800 m².*

Meilleurs prix

Like any company trying to prosper in the market, Colruyt has had to forge a strategy that has lasted for years, making the group one of the strongest in Belgium today, all sectors combined. Indeed, colruyt's USP (Unique Selling Proposition) is always low prices, and for years they have been doing what it takes to preserve and maintain that image of the store that supplies products at the lowest prices to their customers. In order to do this, they are really careful about the image they send back to customers, because it is important to them that customers and potential customers find them credible. That is why they recommend to their customers to keep them informed whenever they notice that the price of an item in a third party store is lower than the price of an item in a Colruyt store located in the same region, this with the following terms: *have you seen cheaper anywhere else? Let us know!*

To maintain its strategy, Colruyt relies on two types of prices: black prices and red prices.

¹³ [https://en.wikipedia.org/wiki/Colruyt_\(supermarket\)](https://en.wikipedia.org/wiki/Colruyt_(supermarket))

- Dark prices



The black prices are called the standard prices, which are considered the best prices for each region. They are noted in black and white in stores and online. It is these prices that should always be the lowest in the region.

- Red prices



These are the prices of products on special offer; in Colruyt stores, red prices are very recurrent, products are constantly on special offer, whether it is a price reduction or products for which the purchase of one item leads to the reduction of the price of another at half price.

Efficient shopping

They do what is necessary for customers to shop efficiently by providing their customers with recipes of the day, the possibility to make shopping lists, to see the total nutri-score of the products, Wi-Fi in store, etc. They also use the data to get an idea of what to offer their customers based on their buying habits.

Their offer

Before moving on to analyze Colruyt's strategy in an omnichannel context, it is useful to analyze Colruyt's strengths and weaknesses in order to better understand its strategic choices to ensure its place in the market.

Conducting a SWOT analysis is a distillation of the results of an internal and external audit that draws attention, from a strategic point of view, to the critical strengths and weaknesses of the organization as well as the opportunities and threats it faces.

To do the SWOT analysis I was inspired by the following site www.mbaskool.com . In this SWOT Analysis, the strengths and weaknesses are the internal factors whereas opportunities and threats are the external factors.

Strengths

Colruyt's primary strength according to this analysis is that it is a family business, which gives the image of a company that is built to last for many years.

The second strength is that it is the first company in Belgium to open an exclusively organic supermarket, which shows how interested it is in sustainable development.

In addition to these two factors, there is the fact that it has found how to operate its multi-format stores in such a way that all its stores operate with some kind of link.

Weaknesses

Colruyt's main difficulty is how to keep the low prices they have promised their targets; and so they constantly have to find ways to be cheaper than all other retailers, making sure that the costs do not exceed the profits.

The second stated weakness is the lack of uniformity of service in stores located in different locations, which can irritate some customers who expect the same service in all the stores in a single box.

Opportunities

It is mentioned that Colruyt could expand their stores geographically, so that they are not only present in a few countries; this could extend their customer base and therefore their profits; but it is clear that this will increase their workload with regard to their pricing policy.

They could also focus on stronger advertising in order to build the brand further.

Threats

It is clear that the global and increasing competition in the retail sector is the first threat Colruyt is facing, because with the evolution of the internet and the empowerment of the customer, no ambitious company is giving up, which makes for tough competition.

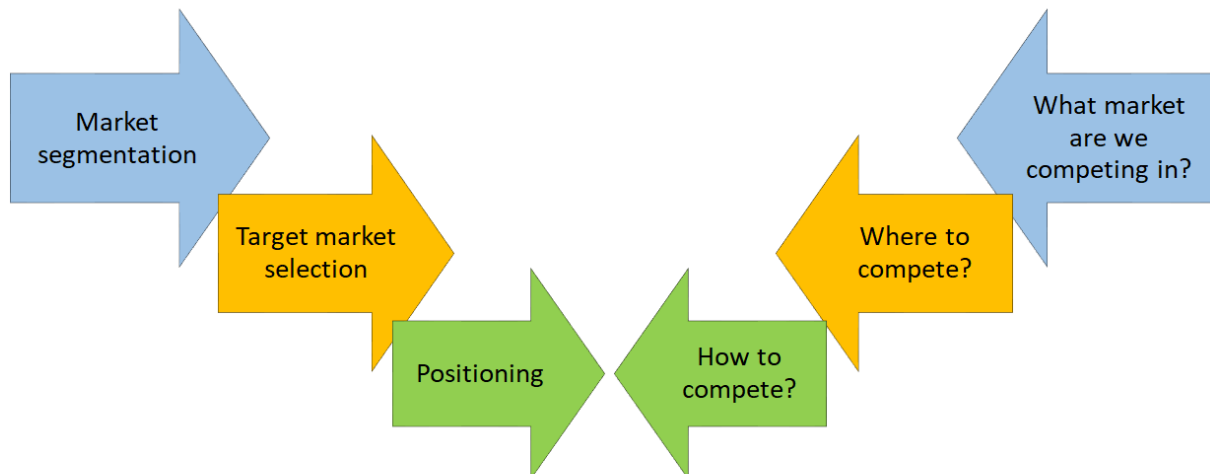
The second threat is food price inflation, followed by the economic recession scenario.

Through this analysis, we see that the challenges facing Colruyt are mostly related to its USP, the others being those that somehow affect all other retailers and even other companies.

2-Belgian market and consumer analysis

In order to study the Colruyt market, let's look at it under the following three criteria: segmentation, targeting and positioning. These three criteria together are called STP.

STP and its role in marketing strategy decisions



STP is a interconnected marketing process

Figure 7: The STP marketing process

Source : Market segmentation study guide

According to the site www.segmentationstudyguide.com, the STP process is an integrated process of the segmentation, targeting and positioning strategic decisions that a firm has to take to provide top level marketing strategic decisions.

The goal of this process for a company is to develop and implement an appropriate marketing mix, as shown in the figure above, and therefore, the decisions taken at the segmentation level follow those at the targeting level which follow those at the positioning level.

Now let's take a look at each point on the Colruyt level.

Segmentation

Colruyt's segmentation criterion is Discount Supermarkets, so their entire STP strategy starts from there.

Targeting

Colruyt's target customers are mainly families, more specifically middle income households, who are prepared to move to fairly remote shops as long as prices are as low as possible. They attach a lot of importance to everything that is promotional, red price, wholesale prices, etc.

Positioning

It positions itself in the market under its Unique Selling Proposition (USP) which is always low prices. So it wants to position itself as the low cost retail chain in your area, offering you quality food and non-food products at everyday low prices.

Now we will see how Colruyt is positioning itself in the global context.

3-COLRUYT Group's race towards Omnichannel

At the time of its creation, the only means of distribution used by Colruyt was traditional in-store buying. With the advent of the omnichannel, they had to blend in and adapt to what others had introduced. Of all the other means of distribution that have been created, it is the BOPS that Colruyt decided to adopt a few years ago.

This system is called collect go and aims to introduce Colruyt into the technology race, making it a digital company like its main competitors.

It wasn't easy for Colruyt to get into this multi-channel system because it involved a lot of work to adapt its cost policy to an integrated chain management system.

They have realized that things are really in the process of changing and that the economic future lays in digital, hence the following words from the Director of Colruyt in this year's annual report: *"To prepare our retail operations for the future we continued to invest in e-commerce and the broader digital transition"*. These words reflect the willingness to invest more in e-commerce, because a short while ago, Colruyt started home delivery in their store in Halle; this is a test for a start, because ensuring the last mile delivery is something that scares Colruyt, for fear that they might not be able to cope with the costs involved in home delivery.

The containment caused by the corona virus is a huge source of extra work for the online service, because it allowed customers to shop online and pick them up at the store, which was a suitable way for those who wanted to limit contact with other people as much as possible. This was an opportunity that Colruyt and all similar companies seized to attract customers who until then had never used online services.

This annual report also states that the online turnover of Colruyt group is mainly realized by collect&go, and that this service is the market leader in the Belgian online food market.

In order to expand this online market, they plan to open a new e-commerce distribution centre and a preparation centre next year, but they don't stop there, to go further in terms of technology, they are the first supermarkets in Belgium to test automatic product recognition, this by means of artificial intelligence¹⁴.

¹⁴ <https://www.colruytgroup.com/wps/portal/cg/en/home/press/press-releases/first-belgian-supermarket-to-test-automatic-recognition>

CHAPTER 4: EMPIRICAL ANALYSIS OF COLRUYT'S OMNICHANNEL STRATEGY

We briefly presented above how Colruyt works in general, and then we showed how essential it is for them to remain at the cutting edge of technology. Now it is a question for us to analyze their omnichannel strategy according to our theoretical analysis which brings together the marketing and operational parts in the different chains.

In order to have the most accurate information possible, we sought to obtain an interview with a member of the Colruyt team, which was not easy, we were refused a lot. Fortunately, we were lucky enough to get a positive response from a Colruyt logistics manager, Mr. Toussé Achile, who provided answers to all our questions.

The answers to these questions helped us to complete our research, which in turn helped us to finalize this analysis.

1-Colruyt's channel segmentation and operational variables :

1.1-Channel segmentation

Colruyt uses two online distribution channels: the e-grocery pick-up, which is either the collect&go or the drive-in system, and recently the home delivery. Colruyt uses two online distribution channels: the e-grocery pick-up, which is either the collect&go or the drive-in system, and recently the home delivery.

- The e-grocery pick-up:

As defined above, this is one of the most widely used channels for buyers today. Colruyt customers use the collect&go system, where they buy items online at www.colruyt.collectandgo.be and collect them at the collection point, which is a Colruyt store. This system costs customers 5.50 Euros in addition to the price of each item.

- The home delivery

They have recently launched the home delivery test to see if it will work for them. This test is only taking place in the city of Halle at the moment. Colruyt wants to analyze the behavior of its consumers and see whether this is a strategy that can be sustained in the long term because, as noted above, Colruyt always aims for the long term in its activities.

The products can be ordered on any device with an internet connection, using one of the Colruyt websites or the MyColruyt application that was created a few years ago.

1.2-Operational variables :

There are several supply options when it comes to grocery retailing. First of all, it should be noted that Colruyt is a company that not only markets other companies' products, but also manufactures its own. Colruyt has two food brands: Everyday and Boni. The other products are ordered from various manufacturers. As a highly rated company, they are under pressure to do their best to keep customers satisfied, and to do this, the items must be available on time; this means that Colruyt's supply system must be efficient.

- **Inventory management**

Earlier, we used the study by Jye-Chyi Lu et al. to discuss the optimal decisions that companies in the sector make to efficiently manage their inventories. Of the four models we have seen, the one that we believe is closest to how Colruyt works is Model 2, in which the inventories of the two channels are somehow linked, except that the ordering policies are different in the two cases. Orders placed with collect&go are placed on a website, but orders placed in the store are placed in the store; the inventories are linked when it comes to products that are already available in the store. The Colruyt agent who handles the order goes to the store with his shopping trolley to do the shopping for the customer. If a product is not available in the store, the inventory is no longer linked, but the product must be picked up at the appropriate distribution centre.

We wondered why not all the products sold online are available in store stocks, but the interview I had with a Colruyt Logistic manager made me realize that this is a Colruyt strategy to minimize inventory costs. If Colruyt allows itself to put all its products in stock in its stores, there won't be enough space and this will lead to unnecessary costs. That is why Colruyt has distribution centres (such as the one in Zaventem) for online orders and also large warehouses (such as the one in Halle) from which store orders are taken.

Within each Colruyt store there is a small storage area called the transit area, where the carts from the central warehouse come from.

- **The fulfillment system**

Using an omnichannel system, Colruyt uses an integrated fulfillment system. In the physical stores, orders on the spot and a part of the online orders are managed; this part concerns the ordered products that are available in the store. Those that are not available are ordered from the distribution centre for online orders, such as the one in Zaventem.

2-The marketing omnichannel system of Colruyt

Colruyt's marketing system varies according to its channels; the first thing that separates the two is price.

2.1-The price policy

We initially found that the prices of several products sold online are higher than those of products sold in stores. Then we also found that the prices of several products sold in stores vary according to the region in which the store is located. The price of certain products tends to vary very often from one channel to another, there are products whose prices remain the same in-store or online, and others whose prices change depending on the channel. Our interview with Colruyt's logistics manager helped us to understand that in everything Colruyt does, its pricing policy remains its priority; they have promised customers that they will provide the best prices in their region and therefore Colruyt's pricing policy is somewhat dynamic as they have to constantly monitor the prices of the competition in each region where a Colruyt store is located. This monitoring allows them to constantly adjust the prices of their products so that they are always lower than those of the competition.

This is the reason why the same article can have 3 different prices in 3 regions in the store; on the other hand, the prices of the products on collect&go do not change, they are the same prices regardless of the region.

2.2-The internet sites management

Colruyt has two websites where the products are displayed; the first is www.colruyt.be, the second www.colruyt.collectango.be. The first is the official website, which is useful for finding out what products are available in the Colruyt stores in each region, as well as information about the various promotions that are currently on offer. It also allows consumers to make their own lists if they wish, and so on. The second one is dedicated to online shopping; there you can find all the Colruyt products, and you can order products to be picked up in the desired store. The two sites are completely different, most of the product names are even registered differently and the promotions offered are not often the same.

2.3-Customer's loyalty

On their websites there is a lot of useful information to improve the customer experience, such as tabs containing recipes that customers can use to shop for what they want to buy, tabs about the different ways the customer can contact them if they need to, and so on. All of these factors are aimed at making customers feel considered, thus developing an attachment to the brand.

Customer loyalty is what every company is looking for, because a loyal customer is one who is more likely to come back several times, because he has developed an attachment to the firm. The goal of a company like Colruyt is to satisfy all its customers, regardless of the channel used. That's why it has developed several loyalty strategies such as Colruyt loyalty cards, Xtra¹⁵ service, online and in-store promotions, etc.

The possibility that they give customers the chance to call them if they see cheaper elsewhere is also a means of customer loyalty that they use because it shows them that their opinion counts for them, and that they do their best to respect the promise of the best prices they have made to them.

3-Analysis of Colruyt's omni-Channel strategy according to the flow model

Analyzing Colruyt's omnichannel strategy according to the flow model will help us to associate its operational strategy with the marketing part we have just seen..

3.1-Omnichannel customer's journey of Colruyt

As mentioned above, the customer journey is the set of steps the customer goes through, from the discovery of the need to the post-purchase experience.

In a multi-channel context, it depends on the channel the customer wants to go through to satisfy his need. In a company like Colruyt, we distinguish two distribution channels: in-store sales and BOPS. As mentioned before, they have recently launched a trial home delivery but we will not get into the heart of this channel because it is still under observation within the company.

We will therefore make two practical cases, one involving a person who shops in a store, the other one involving a person who shops via collect&go.

We take the example of a woman who uses both systems to highlight the difference between the two channels.

Dominique is a 37-year-old woman who works in a bank and is a single mother of two children. She works from Monday to Friday so she is a pretty busy woman. Nevertheless, she likes to take care of herself when she has free time, otherwise her main priority is her children aged 10 and 7. She is a very manic woman who pays attention to every detail, and she tries to

¹⁵ This is a service that Colruyt offers, through an app, it allows customers to access their purchase statements in all Colruyt stores, to have information on the different promotions in their stores.
<https://monxtra.be/xtra/fr/home>

adapt to the computer technologies that are born every day, as long as it doesn't take up too much of her time.

She is a sensitive customer, so she does her food and hygiene shopping at Colruyt because she finds that the prices fit her budget, knowing that she takes care of her two children by herself. It can happen to her to go to other stores such as Carrefour, but it is very rare. She uses both channels depending on the time of the month, which we will describe below.

Let's see her customer journey according to the two channels.

3.1.1-In store

Dominique does her grocery shopping at the beginning of each month, because she thinks it is cheaper than shopping every week.

Dominique no longer needs to make lists to go shopping because it's a monthly activity, so she already knows what she needs in bulk. Once she arrives at the store, she is mostly looking for everyday consumer products, as it is mostly food and housekeeping products that she buys every month, and being alone with her children to do her shopping she does it as quickly as possible as they are quite restless when they are in places with people. Dominique is more interested in the price of the product than the quality so she is very proud when she sees red prices.

3.1.2-Collect&Go

Sometimes Dominique can have friends over during the week, something she doesn't necessarily plan for when she goes shopping at the beginning of the month. This forces her to do extra shopping. But she hates shopping more than once a month, let alone during the week, because she really doesn't have time between taking care of her children and dealing with work fatigue.

To avoid hanging around in the store again and finding herself buying products she doesn't need, Dominique prefers to go to the collect&go website to choose the items she needs, so she can pick them up when she gets home from work in the evening.

However, Dominique is a rather plump woman who likes to take care of herself, so she is always careful when it comes to buying her personal hygiene products. She likes to be up to date with the latest range of body care products. And so instead of taking them in store when she does her monthly shopping, she prefers to take the time to search on the internet for the characteristics of each product, and by the way, compare the prices of these products with those of other stores. Once her choices are made she just has to go to the store to pick up her

products when the time comes, knowing that if she doesn't like her products, she can return them to the store.

We have just shown the extent to which the two systems can address the same person, but it all depends on the context. It should also be noted that there are certainly customers who use exclusively one of the channels and not the other; we just wanted to show their differences by using the same persona.

So it's clear that the collect&go channel is more interesting for people who have less free time than others, or for people who don't want to mix with others, or for those who want to limit themselves to buying specific products, and don't want to end up buying gourmet items in a store.

3.2-Product flow of Colruyt

Let us analyze the operational part of Colruyt's omnichannel management according to the operational variables we discussed above to see how the goods pass from the supplier to the end customer.

3.2.1-The purchase and the storage

Colruyt sells both food and non-food products. Food products include products that Colruyt itself produces and markets; the brands of these products are Everyday and Boni. The other products are purchased by Colruyt from the various suppliers with whom they have contracts.

Once the products have been purchased, they are processed either in distribution centers or in warehouses. However, in every Colruyt store there are small storage areas called transit storage areas, which are the spaces in which the carts from the central warehouses are kept. Colruyt has a large fleet of goods vehicles, which are selected on the basis of their cost, i.e. Colruyt takes great care to choose the most environmentally friendly vehicles possible, which are cheap to maintain.

3.2.2-Distribution and the last mile delivery

Today Colruyt mainly uses two distribution channels: BOPS and traditional in-store selling. However, its direct competitors such as Delhaize and Carrefour have started home delivery, which has put a bit of pressure on them and they have decided to test home delivery in the Halle region only as a first step.

Colruyt is reluctant to go fully into home delivery because it is a company that has based its image on its pricing policy and therefore has to be constantly on the lookout for costs, for fear of operating at a loss. We mentioned earlier that companies like Colruyt that opt for BOPS

instead of home delivery are mostly not interested in providing last mile delivery because to do so they would first have to make sure that the customer will follow suit and that there will be a good profit margin. This is why Colruyt decided to first test this service in one city before moving on to other cities.

For the distribution centers Colruyt uses DTCs (Dedicated Distribution Centers). As mentioned above, only companies that have already achieved a significant online sales activity can afford to use DTCs. The activities of Collect&Go have become so important that over the years they have decided to open two distribution centres (in Zaventem and Erpe-Mere) dedicated to online sales. In this year's annual report, Chairman of the Board Jef Colruyt talks about the fact that the Collect&Go activities have become so important that they have started the construction of a new, larger online distribution centre, which will also take care of home deliveries once this system, is further expanded.

Orders placed on collect&go are usually not available on the same day, the speed depends on a number of factors such as order flow, product availability, etc. The speed at which orders can be placed on collect&go depends on a number of factors. During the containment (due to the Coronavirus crisis) the collect&go service was overloaded due to the fact that many people wanted to limit their presence in the store.

3.2.3-Collection and distribution of returns

Colruyt has a team that takes care of the return of goods, even though it is not very common to return food that has already been purchased. However, Colruyt does not only sell food, but also household and personal care products, etc., which makes a return service very useful.

3.3-Key decisions at the marketing-operations interface

Decisions at the marketing-operations interface are those who link the customer journey and the product flow; which means in our case that they are meant to link the functioning of Colruyt to customer expectations.

Colruyt's main objective is to bring the customer as close as possible to the store, regardless of the channel. This strategy has two-fold benefits, as we mentioned in our literature review above. After all, the collect&go system always brings the customer to the store, which can always lead to purchases that they hadn't even planned for. Yet with a home delivery system, the customer only takes what he really wants to consume, he is not easily charmed or distracted by other products.

We will see in the following that Colruyt's omnichannel strategy is very much influenced by competition and also by consumer habits that vary from store to store, depending on the region where they live.

3.3.1-Assortment and inventory decisions

As noted above, the assortment is an asset on which retailers like Colruyt play an important role because it has an attractive effect on the customer.



Colruyt does not place much emphasis on the beauty of its stores, nor on factors such as customer distraction during the shopping experience. Its stores are just areas where people come to shop and go home with normal light. In these stores you can find the most sold products, and generally these are the ordinary food and hygiene products, used by almost every average consumer. However, the average consumer varies from one region to another, so the products you find in a Colruyt store in Namur are not necessarily the same as those you would find in a Colruyt store in Bruges.

During our research, one thing that particularly caught our attention was the fact that many of the products available on collect&go were not available on the Colruyt website. A meeting with a logistics manager at Colruyt made us realise that Colruyt cannot make exactly all its products available in all its stores; that it was the most popular products that were displayed in the store. This strategy follows the reasoning of Tammo H.A. Bijmolt et al (2019), who said that there are retailers who choose which products will be sold via one channel and not the other, because Colruyt has certain products that are considered more suitable for online sales, such as niche products for example, because they have a rather irregular demand and therefore benefit from a centralized inventory.

With regard to inventory management, Colruyt uses the reseller model discussed above, because Colruyt's stocks are all managed by its own teams, and not by a foreign entity. The products to be picked up in-store that have been sold online come from the distribution centres. The purpose of putting them in these distribution centres is to prevent them from taking up too much space in the transit spaces, which are small storage spaces that are located in the stores; in addition to space, there is also the cost factor involved, because the more products there are in stock, the higher the storage and inventory costs. So the strategy that Colruyt uses is to have the products available for sale online in the various distribution centers.

Cependant, cela ne veut pas dire que si un client veut acheter un produit disponible en magasin il ne peut pas ; lorsqu'il s'agit des produits standards qui sont commandés en ligne, l'agent collect&go se rend dans le magasin pour faire les courses à la place du client, c'est dans le cas où il s'agirait de produits spéciaux qu'on fera recours au centre de distribution.

3.3.2-Distribution and delivery decisions

This is where an integrated system is really needed, and Colruyt has realized this by setting up distribution centers for online order picking. Initially a large part of the work was done in the store, which was normal as the online activities were not yet large enough, but since they have become increasingly important, Colruyt's distribution centers are expanding. Colruyt's ordering processing is customer friendly, whether it's online or in-store. Online orders can be placed on any internet device. As mentioned above, Colruyt takes home delivery decisions very seriously, because they always make the effort to make long-term decisions in order to avoid expenses that will result in losses later on.

3.3.3-Return process decisions

Returns management is quite delicate, especially when it comes to a company that markets food products; this is because it is not hygienic to return a fresh product under the pretext that you made a bad choice in store when you bought it. However, on the website www.colruyt.be, it is possible to report a problem with the quality of a given item, and the request is followed up by e-mail.

In general, however, products that are not delicate, such as drinks, for example, can be more easily returned to the store. All you need to do is take your purchase ticket to the store and present your problem to one of the Colruyt employees.

Conclusion

We are now coming to the end of our analysis which has as its theme: Omnichannel retail operations. We had to answer the following question: **how do retailers manage to provide a good customer experience regardless of the channel used?** We wanted to provide a work that ranged from a comparative approach of the theory of omnichannel retail operations to the practice of this system in the professional world, to show the keys points to focus on to provide a good customer experience in a omnichannel system. To do this, we first presented the retail sector in general, and then the grocery retail sector, as we wanted to focus on this specific sector in our further work.

Our analysis shows that the retail sector is very evolutionary, the competition is tough, and especially since the customer policy that is adopted by all is customer centric. They are under constant pressure to offer the best possible service to the customer, because customer dissatisfaction can have a big impact on the company's image. The importance of an integrated multi-channel management system has been demonstrated, which involves understanding the needs of the consumer and establishing an efficient product flow. In the second part of this work, we dealt with a practical case study of the Colruyt Group to put the theories we mentioned in a more real context. This allowed us to see that providing an integrated all-round management system is no easy task, especially for a company that targets price-sensitive customers like Colruyt. Indeed, they have the challenge of satisfying their customers by selling them products at the lowest prices in their region, regardless of the channel used, but on top of that they have to make sure they keep a balance between cost and profit. On top of that, they have to find ways to adapt to this world that is dominated by technologies that are emerging every day. This is part of Colruyt's challenges, but it is important to note that its competitors are not all restless; they certainly have either the same challenges or others that are not too different.

However, in our research we noticed some points that we believe could be improved. One point that particularly irritated us was the fact that the nomenclature of several products sold at Colruyt differs in the two sites, which can be annoying for a customer who wants to compare the price of an item in the store (via www.colruyt.be) with the online price (via www.collectandgo.be). He may find it strange that the same product has two different names on the two sites because it makes his search slower.

We used the author's thoughts to show the importance of a good combination of a good omnichannel marketing system and good operational management, which together result in an integrated operational marketing system in an omnichannel configuration. With a good integrated operational marketing system, a retailer can adapt to this constantly changing world; this is because he will always see things from two angles, namely from the customer's point of view and from his operational point of view. In this way, he will be able to bring together the material and human resources necessary to guarantee the best possible customer experience.

Annexes

Interview with Achile Toussé, Logistic Manager at Colruyt

Question: What do you think of the current situation of e-commerce in Belgium compared to other neighbouring countries?

Regarding e-commerce, I think that Belgium is still lagging behind countries like France, Germany, etc. We still have a lot of things to do, for example, it's been just a few years since retailers, especially grocery retailers, decided to switch to online sales alternatives, and it's only recently that most of them have decided to switch to home delivery, which has been happening elsewhere for some time now. In fact, we have a reactive approach to technology, while other countries such as the US have a proactive approach by constantly creating new ways of doing things, new ways to improve the customer experience, etc.

Question: Where are you in terms of logistic integration in Belgium?

I think it all depends on the company's strategy, as well as its vision. But honestly, from what I see of the activities of some retailers, there are some who think they have an omni-channel approach, but in reality they don't create a truly integrated system in which the channels work together in an integrated and coherent way, so the ones who are most successful are the ones who have understood this process and have applied it well.

Question: What about the distribution centre? Do Colruyt supermarkets also act as storage warehouses or are the warehouses and supermarkets separate?

Colruyt warehouses are the main storage areas for goods. For the in store orders, we use our central warehouses for the fulfillment, but for the online orders we use our distribution centers manage most of our online orders. In the central warehouses there are small temporary storage areas called "transit": areas where pallets and carts (refrigerators) prepared in the warehouses and unloaded from the trucks by the drivers are stored. These areas are emptied daily and the products are sorted according to the availability on the shelves.

Question: What do you think of the concept of a merged CD (distribution centre)? i.e., is the same team that takes care of the supply of the products sold online the same team that takes care of the products sold in the store?

Online orders whose products are already available in the store are handled by the same team as in-store orders, only this time it's a Colruyt agent who does the shopping for the customer.

In the case of a product that is not available in the store, this product is transited from one of the distribution centres to the store.

Question: Does Colruyt plan to do home delivery?

Yes, Colruyt is planning to make home deliveries: but this is still on a TEST basis in only one store, in Halle. Colruyt has to see if it is profitable before it can be extended to the other stores. Especially since a Colruyt employee is in charge of home delivery.

colruyt is a company that thinks a lot about its prices and therefore will never commit itself fully to an activity knowing that it will lose out. The last mile delivery cost is a cost that has always scared Colruyt, so during the test phase they have to make a good cost-benefit ratio and see if it is worth it. And so at the end of the test phase they will see in which regions people are more likely to adopt this type of service. Colruyt is reluctantly launching this service because the other competing stores have already launched this home delivery system and therefore they don't want to lose the opportunity for fear of losing customers.

The last mile delivery cost is defined as the cost of the delivery staff, the cost of order preparation and the cost of maintenance of the delivery machine.

Question: Do the collect&go system and the in-store sales system use the same stocks or is the storage system different?

It depends on the products, but for the most part, the collect&go system and the warehouse system use the same stocks. Especially for fresh or consuming products. When a customer orders via collect&go in a shop, there is a salesperson that does (or prepares) the shopping in that shop for the customer... You'll easily recognise these collect&go pickers because they prepare the orders in the store shelves with special carts containing blue bins (and not with cadis like the customers do). Each blue bin contains the goods of a different customer.

- Due to the large increase in orders via collect&go in recent years, colruyt has had to open warehouses (in Zaventem for example) that are specialised in preparing orders for collect&go customers to relieve the stores. So some collect&go orders are prepared in these warehouses and sent to the stores for the customers.

Question: What is the most efficient way Colruyt uses to prepare orders online today?

Online orders on COLLISHOP (non-consumable products) are prepared by order pickers in our "collishop" distribution centre (we recently had to move to a larger warehouse because order volumes increased considerably). For COLLECT&GO orders, see answer 6.

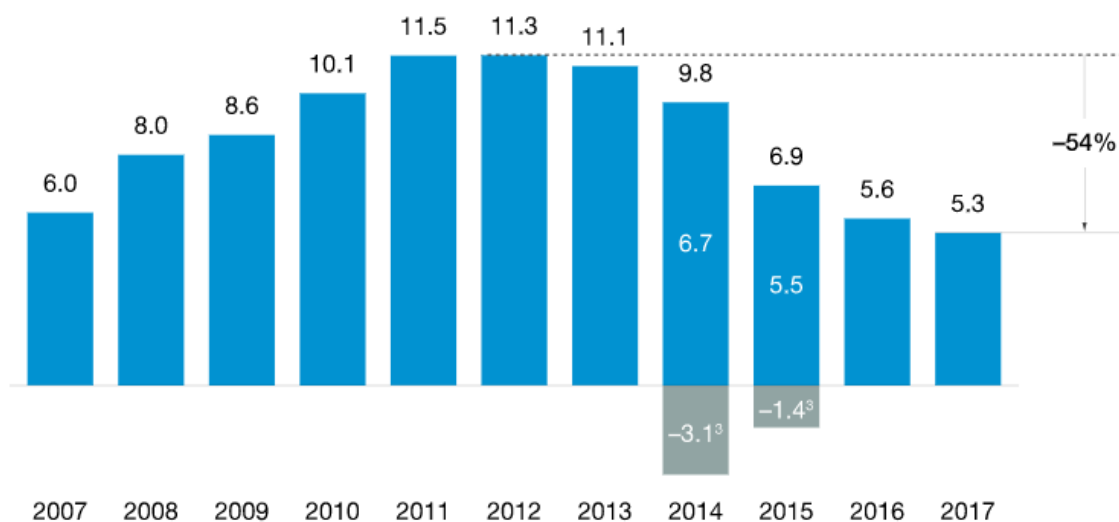
Question: What is the target clientele of the collect&go system?

Our online sales system does not necessarily have a specific age or gender range as a target. We just target any citizen who prefers to buy their products online and pick them up in the store instead of spending at least 30 minutes in the store just to shop. So basically the time constraint is one of the main factors. But with the corona virus crisis, many customers got into this service, not because of time, but because they didn't want to mix with other people.

Annex 1:

More than 50 percent of the grocery sector's economic profit vanished between 2012 and 2017.

Economic value add¹ of publicly traded grocery retailers,² \$ billion



¹(ROIC – WACC) * IC: return on invested capital minus weighted average cost of capital, multiplied by invested capital.

²Analysis of 27 largest publicly traded grocery retailers worldwide.

Title: Economic value add of publicly traded grocery retailers

Source: McKinsey Corporate Performance Analysis Tools

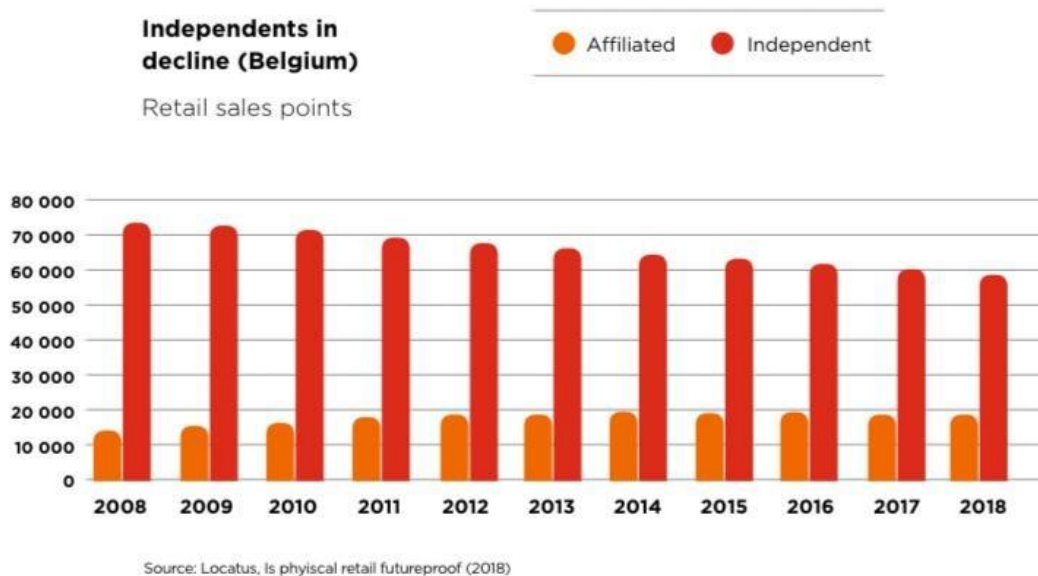
Annex 2:



Title: Forecasting of wins of the E-commerce retailing from 2017 to 2024

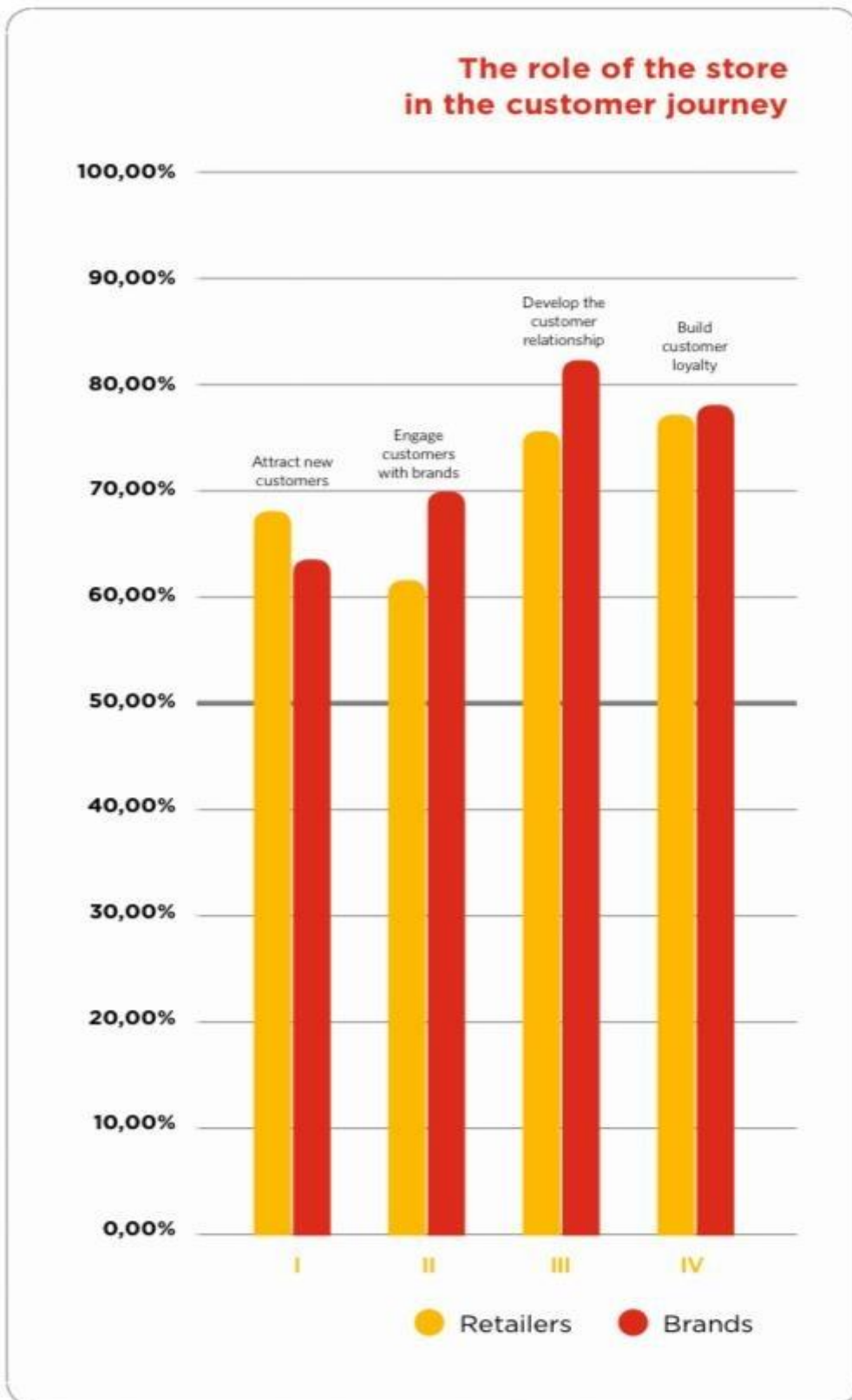
Source: Statista, 2020

Annex 3:



Title: Retail sales points from 2008 to 2018

Source: Locatus, is physical retail futureproof (2018)

Annex 4:

Title: The role of the store in the customer journey

Source: Pwc, Rethinking retail: The role of physical store 2018

Annex 5:

The economics of pickup can be substantially more attractive.

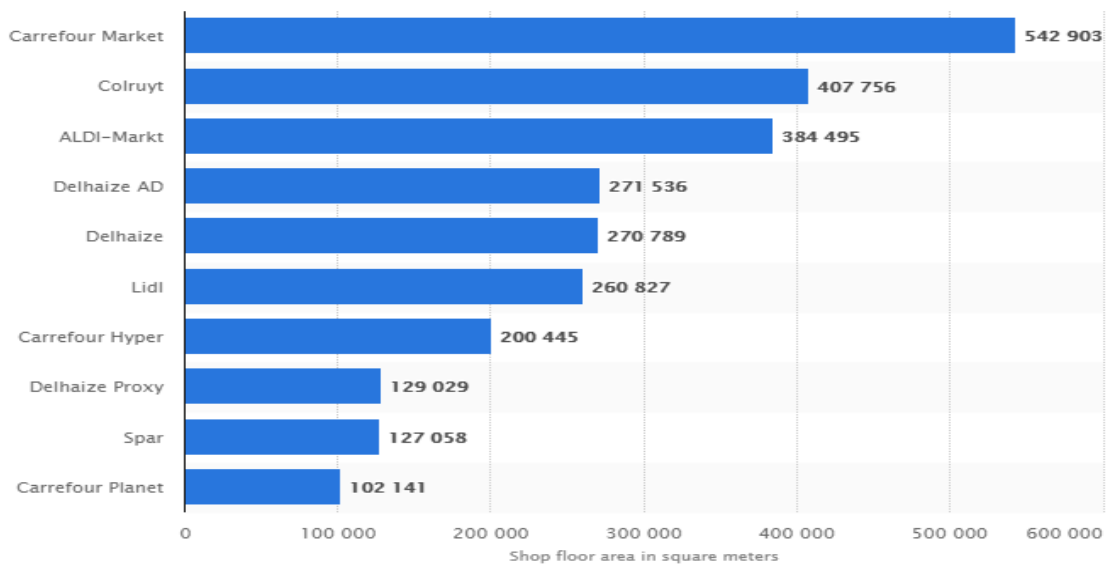
Differences per model, best-case economics in high-density area with low labor costs, €/order



Title: Economics of pickup and home delivery

Source: McKinsey, 2013

Annex 6:



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Title: Belgian grocery retail sector per shop floor

Source: Pinterest, 2019

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