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MANAGED OPERATIONS

Sustaining A Reliable, Optimized eCommerce Powerhouse

E2E ^x OPERATIONS

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E2E *x* **MANAGED OPERATIONS**



Sustaining a Reliable, Optimized eCommerce Powerhouse

Assisted Site Navigation & Customer Service

“The key to assisted navigation...is ease of use.”

Getting users to visit your site is one thing—but having them successfully navigate around and to an eventual purchase is quite another. While it’s impossible to ensure they will take specific actions, certain features help encourage those actions and make the experience on your site a consistent narrative with a unique ‘brand story’—not simply a place to find a desired product and check out. Yet, even with catchy, inviting calls-to-action (CTAs), content that is easily navigable, and with stunning visual elements, shoppers still have questions and just need a little push to get where you want them to go. This is where assisted site navigation comes into play. When consumers find themselves on your landing page, they’re immediately looking for some sort of direction towards whatever they may be looking for or simply to browse. Icons like ‘Scroll’ tell consumers to navigate up or down on a page for more. Buttons such as ‘Shop the Collection’ or ‘Shop New Arrivals’ guide consumers to full-price styles, and so forth. When shoppers have trouble cruising around the site, and when navigation bars, indexes, CTAs, banners, eSpots, etc., don’t get them where they want to be, frequently asked questions (FAQs) pages, customer service instant messaging tools, help submission forms and contact pages can provide the necessary tools to help them find their way. The key to assisted navigation...is ease of use.

Frequently asked questions (FAQs) are at the crux of a well-oiled customer service machine, however research is showing that they’re not always as helpful as they might purport to be. According



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“There are two core approaches to customer service: retention and acquisition.”

to Bill Dodds’ *Managing Customer Value: Essentials of Product Quality, Customer Service, and Price Decisions*, 11 percent of online shoppers visit FAQ sections, and for those individuals that do, the list of 10-30 ‘solutions’ aren’t always sufficient. Tools like instant messaging pop-ups that give consumers the ability to chat live with a customer service representative have revolutionized the way consumers seek support and resolve issues. Of course, a phone number with an actual human being on the other end is ideal for the consumer (and if they’re tenacious enough, they can get all the way to the CEO with their—9-times out-of-10—petty and confounding complaints).

There are two core approaches to customer service: retention and acquisition (Epstein). Effective site features that facilitate user-friendly experiences online are an example of retention in application; that is, the site is easy enough to use and provides all of the necessary tools to successfully navigate and troubleshoot issues without additional assistance. Acquisition means focusing on obtaining new customers, which can be a costly endeavor. Surprisingly, more companies focus on acquisition; it makes sense, they want to build their customer base. Yet few companies realize that if they focus on keeping their current customers happy via the retention route, this is actually cheaper and can deliver a higher ROI. According to Luke Brynley-Jones, “70% of companies say it’s cheaper to retain a customer than acquire one and 49% say that, pound for pound, they achieve better ROI by investing in relationships over acquisition” (Brynley-Jones, 2016). Building



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a better site and a consumer-friendly environment for those who already go to your site can have serious benefits, as opposed to focusing the majority of resources on potential customers who may never even visit your site. Strong customer service tools facilitate retention, giving consumers incentives to come back time and time again.



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Multijurisdictional Sales Tax Collection

eCommerce companies and ‘virtual corporations’ that operate mainly online are changing the game, forcing tax authorities to reevaluate how income tax is applied. As these companies easily join partnerships and agreements with third-party vendors, many of them virtual by nature, e-commerce businesses can choose to do business with these firms in the most cost-effective tax jurisdictions.

Over the past decade, the emergence of eRetailing has fostered a global marketplace; and with such comes the issue of transactional taxation across multiple jurisdictions (thousands, actually). By nature, eCommerce lacks a specific physical territory; it’s territory is on the web. Transactions made by consumers, suppliers and distributors can originate anywhere in the world; gone are the days where the locales can be concretely defined. In the United States alone, there are over 7,000 unique state and local tax rates encompassing all goods and services, and purchases outside of the US must factor international tax jurisdictions into the equation. The complexity of how digital transactions, both tangible and intangible, are taxed across a highly diversified network of jurisdictions poses significant challenges; some of which include (but are not limited to): the increased presence of virtual corporations which outsource their core functions; disintermediation (whereby the wholesaler or retailer is removed from the equation in direct-to-consumer sales functions); and other factors that complicate the process of taxation across different regions.

eCommerce companies and ‘virtual corporations’ that operate mainly online are changing the game, forcing tax authorities to reevaluate how taxes are applied. As these companies easily join partnerships and agreements with third-party vendors, many of them virtual by nature, eCommerce businesses can choose to do business with these firms in the most cost-effective tax jurisdictions. Dr. Subhajit Basu asserts that “with the narrowing of core competencies, eCommerce business will frequently have more flexibility to relocate (or initially locate) their property and



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Payment Processing and Fraud Prevention

“There are two core functions of payment processing: authorization and settlement.”

payroll in jurisdictions with more favorable tax rules and rates” (Basu, 2007).

Payment processing systems facilitate consumer payments for online transactions. eCommerce businesses wouldn’t be able to operate as they do without secure, speedy, identity-verifying payment processing methods. Advanced payment processing helps to undermine the risk of identity theft and allows businesses to accept funds without physically needing the consumer’s credit card in front of them. There are two core functions of payment processing: authorization and settlement. Authorization refers to the processing of confirming the card details provided match the information that the consumer’s bank has on file, as well as confirming that the card is active and has sufficient funds to make the purchase. In the authorization phase, the eCommerce enterprise forwards the request on to the payment processor (the digital equivalent of swiping the card and entering the dollar amount), who then forward that request on to a payment brand (e.g., Visa® or MasterCard®). The payment brand confirms with the card issuer (the bank) that there are sufficient funds to cover the charge, then relays this on to the payment processor in order to finalize the transaction. The settlement (also referred to as ‘funding’) phase refers to the process of actually transferring the funds from the consumer to the merchant, which is then reflected on the consumer’s bill that he or she will subsequently owe the issuer at the end of the billing period.



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The nature of the item being purchased, the quantity of the order, where it is being shipped to and other factors can influence how the payment is processed—and if the transaction is approved. In some cases, the order may appear to have successfully gone through, confirmation eMail and all, but if the merchant runs into any trouble verifying the address, phone number or any other information associated with the buyer’s card in the authorization process, the merchant can cancel the order. This often occurs when the value of the item being purchases is high and the merchants want to be extra careful that the buyer is who they say they are.

Fraud prevention is one of the most important aspects of payment processing; without arduous efforts to protect consumer card data and other private information, your business risks foregoing shoppers (not to mention the risk of potentially getting involved in messy legal disputes as a result of feeble fraud prevention efforts). In 2009, eCommerce businesses lost a total of \$3.3 Billion at the hands of cybertheives (Ward, 2010). Moreover, data breaches do not only affect those consumers directly affected, they can do significant damage to the reputation of the eCommerce business itself, creating a PR nightmare that makes future customers wary of shopping on their site.

Consumers are highly sensitive to threats to privacy and take the use and reuse of their personal data very seriously. Culnan and Armstrong (1999) outline two main privacy concerns that consumers have: the fear of someone stealing their data (e.g.,



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“It’s all about protecting personal data”

credit card information, information tied to online profiles, etc.) and the fear of their personal data being reused without their permission. Personal data has great value for retailers because it affords them insight into the interests and consumer trends that are so profitable to tap into. Yet this kind of information, however valuable to retailers, can be harmful if it lands in the wrong hands. It could destroy the trust of existing consumers and do permanent damage as a result. So it’s all about protecting personal data, gaining enough insight to know what your consumer wants, but not to a degree that you risk exposing their precious personal information.



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Logistics and Supply Chain Management

“It’s not just about getting the products to consumers, it’s doing so in a way that keeps them happy and satisfied with the overall experience.”

Logistics refers to the actions and processes managed within an organization such as procurement, distribution and inventory; supply chains refer to a series of interworking entities (e.g., the suppliers, manufacturers, retailers) all working together to deliver the products and services to consumers. Traditional logistics focuses on getting the correct item to the right address at the cost the consumer agreed to pay in a timely manner without it being delivered damaged, broken or in a condition that is not usable. According to Zu et al. (2015), “an efficient operation of logistics is the starting point for high efficiency handling across the entire supply chain, with the ultimate goal of improving customer experience” (Zu et al., 2015). Order picking can present the biggest challenge to efficient logistics because it requires the largest workload, is prone to extensive errors and is highly labor-intensive. Hiccups here can bottleneck the entire process, thus, optimizing order picking using computer-controlled logistics with sound algorithmic models is essential to reducing costs, keeping customers happy and, consequently, keeping your business alive.

As eCommerce continues to grow, getting consumers what they want—small or large quantities—as quickly and efficiently as possible, is the name of the game. Moreover, it’s not just about getting the products to consumers, it’s doing so in a way that keeps them happy and satisfied with the overall experience. Ultimately the goal is to keep them coming back to make additional purchases. While traditional retail stores order items in bulk and receive shipments on a weekly or biweekly basis,



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“Consumers want their packages the next business day whenever possible, and if they pay more for expedited shipping, they expect a swift turnaround.”

for online retailers, time is of the essence. Consumers want their packages the next business day whenever possible, and if they pay more for expedited shipping, they expect a swift turnaround. Automation has streamlined warehousing and the pick, pack, label and shipping phases, taking away the burden of having to manually handle the requirements of order fulfillment. Implementing the right software and protocol is essential in order to maximize efficiencies, increase inventory and order visibility and handle unexpected changes that undermine fulfillment. Problem areas such as insufficient stocking, high volume of returns, and inflexible equipment can significantly harm a brand’s reputation and frustrate consumers awaiting items already purchased. Having a well-oiled and automated machine for warehousing and order fulfillment (pick, pack, label and ship) will always have its rewards; any holes in this system and the consequences can be felt almost instantaneously.



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Shipping Considerations: Exchanges, Returns and Restocking

“Companies like Zappos® and Nordstrom® have been celebrated for their quick, free, and no-receipt-necessary returns, other companies might feel this can create easy loopholes for consumers to take advantage of such lax return and exchange policies.”

In 2013, over 60 percent of online shoppers returned or exchanged at least one item from their order, about 10 percent more than the prior year (Roggio, 2013). Moreover, almost 95 percent of shoppers who had a positive experience returning or exchanging an item revisited the site for future purchases. There’s no question that having a clear-to-understand return policy, return labels in the box and policies that put the customer first in the most cost-effective way possible has its benefits. Companies like Zappos® and Nordstrom® have been celebrated for their quick, free, and no-receipt-necessary returns, other companies might feel this can create easy loopholes for consumers to take advantage of such lax return and exchange policies. Restocking fees are important for eTailers, especially those that deal with a high volume of returns. The labor and costs associated with packing materials and shipping them out is valuable to a company and the restocking fee is essentially what the consumer pays to reimburse the company for having used their resources for an order they didn’t profit from. Companies that do not charge restocking fees may make consumers happy, but it opens the door for shoppers to take advantage of online stores.



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Physical Security

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Today, a great logistics facility has supply chains that are handling mass quantities of product across the globe in the shortest amount of time possible. This means big buildings—some of them over a million square feet—to house everything that’s needed to get orders out the door and into consumers’ hands. Monitoring warehouse and stock inventories is of vital concern, especially when there are millions of dollars of merchandise, equipment and personal data at stake if someone were to gain unauthorized access to the physical environment. External and internal theft and pilferage threats are also of paramount concern. Physical security of property, data and networks means “restricting access through safety features such as biometric scanners or ID cards. Surveillance via cameras and motion detection, and other types of intrusion protection (alarm systems and patrol forces) are critical requirements for any physical operation. It is also important to secure IT assets from external environmental impacts such as floods, heat, power outages, and power spikes and sags” (Sankar, 2006). Security measures must be fiercely upheld and monitored given the highly sensitive and valuable nature of what is housed in such facilities.



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VITAL BGS

VITAL BGS is a progressive leader in full-spectrum End-2-End (E2E) consumer and business eCommerce. The organization enables B2C brands to sell worldwide, while feeling local to global shoppers. The company engages in virtually all vertical markets, and has case studies in nutraceuticals, fashion and apparel, luxury and leather goods, legal services, personal services, and innovative aspects of eGovernment.

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