







Insights from CGS

Integrated Technology: The Heart of Omnichannel Success



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The growth of omnichannel commerce has challenged global consumer lifestyle products companies to evolve many planning, supply chain and distribution processes to meet demand.

The rapid rise of Internet and mobile sales is forever changing the way companies and suppliers deliver products across a growing number of sales channels including online, catalog and wholesale, as well as sales through company-owned retail stores, outlets, consignment inventory, international franchisees and global distributors. **In fact, a recent Forrester report forecasts that 60% of all retail sales will involve the internet by 2017.**

This report explores technologies and best practices for meeting consumer expectations and demand for a seamless shopping, delivery and returns experience and includes best practice expertise from leading industry analysts such as Kurt Salmon, Gartner, Demand Worldwide and business technology leaders at companies like Aerosoles.

Omnichannel Challenges Expose IT Gaps

94% percentage of companies encountering barriers to successful execution of their omnichannel plans

Today's discerning consumer has high expectations for anywhere-anytime access to lifestyle and fashion products, and retailers and brands have responded by establishing new processes and paradigms. For example, with growth in ship-from-store scenarios, retailers are managing products and inventory as it "leaves through the front door with the customer and is shipped out the back door directly to the customer's home," says Isaac Krakovsky, partner, Kurt Salmon. In other words, more consumers are ordering online and picking up merchandise in the store (through the front door). But they also are ordering online and having goods from the store packed up and shipped directly to them (through the back door).

While many retailers and brands have devised processes and pieced together systems to support omnichannel commerce, they are not at all confident in their solutions' long-term viability. A 2014 study by Forrester Research, for example, found that **94 percent of companies are encountering barriers to successful execution of their omnichannel plans.**

"There is so much that has not been integrated," says Paula Levy, Chief Strategy Officer, Demand Worldwide. "From an organizational and an IT perspective, things are in silos for many brands and retailers, and there continues to be high reliance on spreadsheets to manage information. It's time to take all of these disparate back-end solutions and get everyone on the same page."

Tom Enright, Research Director, Retail Supply Chain, Gartner Inc., says it is not sustainable for retailers to rely on using homegrown, short-medium term methods of managing omnichannel fulfillment. **"Retailers have found ways to get their systems to talk to each other well enough to handle the relatively small volume of omnichannel fulfillment they are conducting today, but as that volume grows, they are not going to be able to keep up," he says. "It's front and center for them that they need next-generation solutions."**

Solutions for Seamless Omnichannel Operations

Next-generation technology is readily available to support omnichannel commerce and drive omnichannel expansion. "Technology solutions today have disrupted how we think about fulfilling online orders," says Krakovsky. "Software can enable retailers and brands to take orders online and fulfill them from store inventory, direct-to-consumer warehouse inventory and in some cases directly from the vendor or manufacturer. There is strong business logic behind today's solutions. The software is robust and mature, especially with regard to fulfillment."

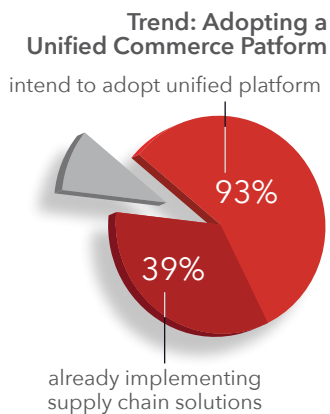
A crucial attribute of these next-gen solutions is real-time visibility into a unified view of inventory. "Currently many retailers don't have this integrated view with their existing systems," says Enright. "You need seamless IT and software to do this. You can't have one system dropping the ball."



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Instead, he recommends that retailers "implement a single pool of inventory per product to which all channels have access, and introduce fulfillment prioritization rules among online, home delivery, store requirements and wholesale orders." He goes on to suggest that, "Retailers must look to remove duplicate data sources across the system landscape and replace them with an architecture that allows data to be held in a single source."

In a recent blog post, Boston Retail Partners (BRP) also stresses the importance of having a common view of omnichannel activity and delivering a "unified commerce experience." This experience "goes a step beyond omnichannel, putting the customer experience first, breaking down the walls between internal channel silos and leveraging a single commerce platform," says BRP. **According to the firm's 2014 Supply Chain Benchmark Survey, 93 percent of retailers intend to adopt a unified commerce model, with 39 percent already implementing supply chain solutions to support it.**



Boston Retail Partners 2014 Supply Chain Benchmark Survey

Unlike older legacy systems, enterprise solutions such as CGS's BlueCherry® Enterprise Suite have been developed with omnichannel commerce in focus as a business reality. Functioning at the heart of the omnichannel business, modern end-to-end, modular technology offers improved inventory balancing and demand optimization. Omnichannel Merchandise Planning capabilities enables lifestyle brands to see an aggregate view of demand and inventory. In turn, businesses can devise product purchasing plans to meet demand across all channels rather than source goods piecemeal to satisfy disparate distribution points. Also, with a single, rolled-up view of inventory, they can better match their merchandise to the highest-margin selling opportunity.

Advanced omnichannel warehouse management technology is also empowering retailers to fulfill individual items direct to consumer. To compete in an omnichannel business environment, picking and packing of single units is becoming just as important as efficiently shipping cartons.

Aerosoles, an innovative and leading ladies' footwear business operating via a number of channels, is a prime example of a brand that has invested in next-generation technology to power its fundamental omnichannel strategy, operations and core business processes.

The company uses CGS' BlueCherry to support its "Omni-Channel+" strategy of meeting consumer expectations and fulfilling demand across wholesale, internet, retail and direct channels. **"Our strategy leverages investments in CGS software to utilize pooled inventory for fulfilling multichannel needs," says Tom Reeve, Vice President of Technology and Business Solutions, Aerosoles. "We are also using the solution to maintain organizational efficiencies during the growth of single unit pick orders for our e-commerce and dot-com business."**

The rewards are tangible and significant for those who have decided to replace or upgrade their IT and leverage next-generation technology. Innovative companies such as Aerosoles often see major reductions in their days of inventory on hand, along with faster inventory turns and a much more accurate understanding of overall inventory costs. In short, they know precisely what they own and where it is located, and they are selling more merchandise.

"Mastery of omnichannel order fulfillment has got to be at the top of the list because if you're not fulfilling orders, what are you really here for? Retailers are fulfillment businesses, and you need end-to-end visibility and integration to fulfill orders as accurately and rapidly as possible. That is what the consumer expects," says Enright.



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Best Practices for Ongoing Success

51%
of retailers surveyed
cannot fulfill
2-10% of orders

Omnichannel success requires crystal clear visibility into the brand or retailer's real-time inventory position – at every store and distribution center. For those who want a true competitive edge, this visibility also extends back into the supply chain. This can include real-time insight into the work-in-process status of global production partners. It also entails a seamless view into product development and sourcing so that changes to fabrications, colors, silhouettes, trim, order quantities and shipping instructions can be made more flexibility and fluidly in response to actual demand and market trends.

52%
of retailers surveyed
cited inventory accuracy
as barrier against
'pickup-in-store' programs

Such streamlined operations enable consumer lifestyle products businesses to offer more frequent releases of more innovative products at reduced costs and shorter cycle times.

To attain this visibility, some companies take a modular approach, implementing multiple software packages to meet their needs in different areas, such as product lifecycle management, supply chain management, assortment planning, order management and warehouse management. However, many businesses are implementing an end-to-end suite of solutions to minimize visibility gaps in their in-house and global supply chain operations, supporting and driving omnichannel.

"Anyone who touches the product through its lifecycle needs to have real-time access to product data," says Levy. "From planning and merchandising to sourcing, product development and inventory, everyone needs to be working with synchronized information and working collaboratively to meet financial goals and consumer expectations."

The advancement of cloud and mobile technology has made it easier to globally share consistent, up-to-date information across trading partners, she adds.

For those embracing omnichannel best practices, the bar is getting higher. For example, today it is still commonplace for companies to only update store inventory data at the end of the business day to obtain counts of available merchandise, says Krakovsky.

In the omnichannel world, that is not enough. Omnichannel best practices require retailers to update on-hand information as close to real-time as possible. Nightly batch processing of inventory on-hand forces the omnichannel retailer to set out-of-stock thresholds artificially low so as not to disappoint online customers who want to pick up a product in their local store. This is because with the available information, the retailer cannot be absolutely certain the unit will be in stock from one hour or day to the next, he says.

A Forrester Consulting report, "Consumer Desires vs. Retailer Capabilities: Minding the Omni-Channel Commerce Gap," provides sobering evidence of this inventory visibility issue. Forrester finds that 10 percent of retailers who offer in-store pickup of online orders cannot fulfill those orders due to inaccurate store inventory. Many others, **51 percent of retailers Forrester surveyed, cannot fulfill between 2 percent and 10 percent of these orders.** The majority of those surveyed (52 percent) cited inventory accuracy issues as a major barrier to the rollout of pickup-in-store programs.

"You must have accurate information to present to online customers with confidence," Krakovsky says. "If you don't, then you could lose them as a customer for a period of time, or maybe forever."

With more accurate ability to leverage real-time inventory data, the retailer could continue selling merchandise through all channels until the very last unit is purchased.

Today's leading enterprise software solutions, such as CGS' BlueCherry® Enterprise Suite, deliver omnichannel capability to plan, produce, purchase and fulfill orders – all in one integrated solution.

With so much at stake and so much to gain as omnichannel commerce proliferates, lifestyle brands and retailers should expect nothing less.

