

# I Want It All... and i want it NOW!

Napoleon famously described early 19th century Britain as "a nation of shopkeepers". His description of early 21st century would surely be "a nation of shoppers". Today the customer definitely has the upper hand. No longer can Arkwright sell us anything he wants, for whatever price he wants, but now stores have to be "Open All Hours" in order to survive. The customer will buy what he wants, when he wants and from whatever source he feels like.

A couple of issues ago we featured Robin Klein, Chairman of Retail Variations who explained that his company is successfully embracing all channels. He explained how it is vital to present a consistent face to the customer whether through a store, catalogue, web site, kiosk or interactive TV. Mike Dotson describes below how his company is helping Retail Variations to be at the forefront of multi-channel retailing. Also, other industry commentators give their views on the opportunities and pitfalls that multi-channel retailing brings.

Mike Dotson, Director of Operations at Island Pacific Europe says, "It's a fact that shopping is becoming more complex for the retailers, but more convenient for the consumer. Retailers and merchants are providing their customers with more options through multi-channel shopping environments, combining retail outlets with mail, telephone and on-line shopping. The retailer is therefore confronted with developing a multi-channel strategy that integrates their merchandising solutions so that the customer has a consistent experience with the organisations, no matter what their approach is, and so that the retailer has a clearer view of the whole operation."

He added, "It is advisable that companies have a fully integrated, single repository for data so that they can see everything and perform analysis from a customer perspective whether they shop on-line, in a store or via mail order. This will also provide retailers and merchants with stocking solutions, as they will quickly be able to see where they need to move stock to in order to supply the demand."

Retail Variations, the umbrella company which incorporates businesses such as Hawkshead, Manners, Ocean, Past Times and SF Cody, has recently selected the multi-channel IP Synaro solution from Island Pacific. It will assist Retail Variations in resolving call centre reproduction/duplication, simplifying warehouse management/shipping and expediting the order fulfilment process.

Rashpal Singh Gill, IT Director at Retail Variations said, "After evaluating the market, we decided to choose the IP Synaro solution for our multi-channel operations, as it will integrate with the IPMS application software suite that is used company-wide, also from Island Pacific." "Due to the fact that multi-channel solutions are still a 'green field' opportunity, we have been able to specify what sort of solution we would like, rather than having to find an off the shelf solution and adapt Retail Variations to that solution."

"I anticipate that the new system will allow Retail Variations to get closer to implementing its multi-channel vision, which Retail Variations feels will further develop its customer centric approach. It will provide us with a single warehousing solution for both retail and mail order channels and gives us a single view of sales and stock for merchandisers in both retail and digital channels. This will result in reduced duplication in areas such as product set-up, product ordering, stock management, product offers, and supply chain management.

"Overall the use of the multi-channel solution means that management of the business will be easier from a warehouse and merchandiser perspective, which will save us time and money. Cost savings can be achieved in the warehouse through the management of a single forward picking interface and from a merchandiser's point of view, stock can be moved to the channel it is needed in instead of having to be predetermined. It will also allow the companies within Retail Variations to see what products customers are actually buying and from which channels, which will help in determining the best way to market products to them - directing customers to stores or through digital channels."

Tim Greig, Associate with supply chain consultancy PPS adds, "Today's systems are able to support multi-channel operations, which may include web/mail order, catalogue sales, digital TV sales and franchising. These systems use a single data base and manage prices and promotions centrally so all channels use common data and can get the same offers. They use consistent descriptions across all channels and a single point of entry. Such modern systems provide one view of company stock, sales and demand and centralised merchandise planning, regardless of channel. You can also allocate stock according to demand rather than being locked into local purchasing decisions. Today's systems usually operate with an easy, common user interface and can also facilitate Customer Relationship Management."

But many retailers are still running core merchandising systems purchased in the early/mid 1990's, which are focused on store sales. These systems have become 'version locked' due to modifications over the years. So it is difficult and costly to upgrade to current versions that offer multi-channel functionality.

Retailers often outsource web and mail-order sales to specialist firms offering warehousing, order fulfilment and customer services. One option open to multi-channel retailers is to develop interfaces into the external systems, which manage your stock and respond to changing demand. As a retailer you could define the operation as a regular store in your core systems for stock visibility. This would allow you to raise purchase orders for direct deliveries and allocations from your distribution centre.

A range of outbound and inbound interfaces would be required for this approach, which will allow you to manage channel stock in your core systems, and respond to changing demand patterns at peak times. Outbound interfaces are needed for SKUs, suppliers and purchase orders and stock transfers. You need inbound interfaces for sales, stock adjustments and a stock reconciliation file; by performing a regular SKU level reconciliation between the fulfilment centre and your stock ledger you can ensure accuracy.

A simpler approach in terms of technology is the to use the external firm's systems for ordering stock and fulfilling orders, though this results in duplication and it can be difficult to maintain a consistent offering across your business. Inevitably there will be lost opportunities to respond to demand, but this method does at least allow you to begin to assess the channel potential.

John Garrick, Commercial Director of Zendor explains some of the risks involved in multi-channel retailing and why it is important to have a fully integrated approach.

Customers are increasingly wanting more and more choice when it comes to how they shop. They want the opportunity to shop by Internet, idTV, phone, and post as well as in store. Cross-fertilisation of shopping channels e.g. researching products on the web site and then purchasing the preferred product in-store, is also proving ever more popular and is likely to become the future of shopping. So why are some retailers still 'sitting on the fence' whilst their customers shop from competitors' multi-channel touchpoints?

Retailers with a highly optimised infrastructure for store selling may choose to seek increased sales by opening new stores rather than by investing in multi-channel retail. There is a tendency to view multi-channel retail as being more risky than the tried and proven store opening route, and focus on the drawbacks rather than the benefits. However, adopting a multi-channel strategy is not a gamble if approached correctly. Failures occur when retailers do not think through the requirements and implications of going multi-channel. Different channels have different characteristics, and need managing and optimising accordingly. A lack of understanding in this area has led to some high profile failures, and correspondingly tarnished the image of distance shopping generally. The message is clear: if you're a high street retailer going into multi-channel retailing, involve people who understand the relevant channel as well as you understand store retailing.

Take, for example, product range. It is rarely worth selling individual items at a value less than £10-£15 through a distance channel, as the relative size of P&P cost can depress response, and fulfilment costs will eat into the margin. Some products are better suited to distance shopping than retail stores, for example, because of the amount of retail space they take up per pound revenue, or because of the high cost of providing stock of slow moving items

across hundreds of outlets. Customers who are of a non-standard size may buy jeans on the Internet for exactly this reason - it makes sense for a store serving the whole nation to hold this size/length combination, but not for the individual branches on most high streets.

Another example is offering credit. Most forms of credit require a proper written signature on a credit agreement. This can be achieved relatively quickly in a store, but is harder in a distance shopping situation. "Cooling off" periods for distance shopping credit may also cause problems. The result of this is that the offer to the customer may be different across different channels, perhaps interest free credit in store but free delivery on the distance channel.

Another area for consideration is returns, which are a feature of every distance shopping operation - far more than with in-store purchases. Every return costs the retailer a significant sum: he has paid to market it and sell the item, paid to warehouse and pick it, and then paid to bring it back and restock it. Depending on the policy, you may have paid for packaging and delivery both ways as well. When the item comes back, it may not be suitable for restocking as it may look weathered after transit or opening, or may need checking from a Health and Safety viewpoint. This means that the retailer needs to think hard about maintaining the same pricing and customer service attitude across the different channels.

All of the above is true for 'single channel' customers. But things get even more complex when the customer wants to use multiple channels, e.g. purchasing a product on-line and then returning it to a store. The product may not be stocked by that store, or it may be on offer at a different price. The store may have no record of the distance shopping transaction; it could end up refunding cash for items that were bought on fraudulent credit cards. Worse still is the case where a customer, who may have paid cash in a store, wants to return an item through a distance channel. The retailer may not even

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Geoff Tittensor elicits some interesting views on Multi-Channel Retailing

be certain who the customer is, let alone have credit card details able to take a refund. The best practical solution to these issues is to have integrated systems between the distance shopping proposition and the retail point-of-sale systems.

A fully integrated approach requires retailers to identify at point-of-sale (P.O.S) exactly who each customer is. Loyalty cards go some way towards this but are not totally reliable and some retailers risk annoying customers by always asking for their postcode and address details. Equally, all channels including the stores need to be interconnected in real-time both at the front and back-end. Retailers' infrastructures need adapting and retail staff should be trained to enable cross-fertilisation of channels. The rewards of giving the customer what they want are significant, and those retailers that step up to the challenge will reap the benefits of multi-channel retailing.

Nigel Rzemieniecki, at European Technology Consultants (ETC) agrees that a single integrated strategy is essential. He says, "Unless retailers adopt a single strategy for all their channels to market, they will continue to see costs accelerate and profits fall."

"Most retailers run their store, Internet and mail order businesses separately, with their own staff, and systems and processes, each created at different times, each with different objectives. Many retailers even have separate customer databases, supporting infrastructures, and merchandising strategies for each channel."

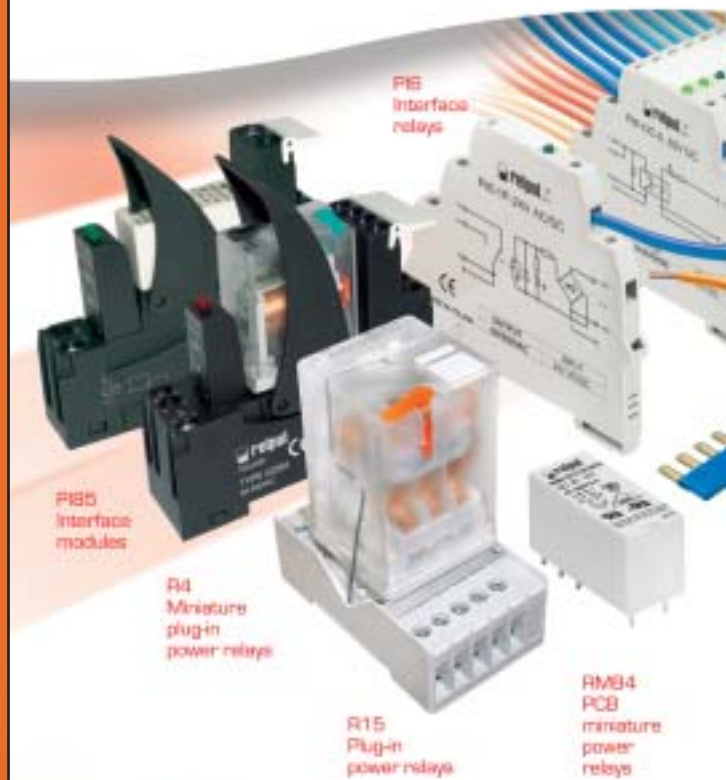
"For some traditional retailers, non-store shopping is only a small proportion of their customer offer and as such, it seems that a relaxed approach has been taken provided that the customer is getting the service benefits, and the retailer is getting the revenue benefits from offering customers different ways of shopping. However, this can't last. Many have yet to measure the impact on their business of competitors, but there is evidence that the impact is growing."

"Without a single cross-channel strategy for managing customers, retailers will not be in a position to keep up, or respond, to the continuing trend amongst consumers to buy more and more of their goods on-line. They will also not be in a position to raise revenue per customer through cross-selling and up-selling. Systems and processes need to be integrated and optimised, together with cultural and infrastructural change to deliver the full business benefit and the creation of a platform for future growth."

In summary the message would appear to be loud and clear – make sure that you understand the differences between store selling and delivered business, but be sure to use an integrated system and present a unified face to your customer.



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